

Board of Accountancy

WASHINGTON STATE



REGULAR BOARD MEETING AGENDA

Date, Time: Thursday, July 24, 2014 – Regular Board Meeting – 9:00 a.m.
Location: Holiday Inn Seattle Airport
Queen Anne Room
17338 International Boulevard, SeaTac, Washington
(206) 248-1000
Notices: 9:00 a.m. Rules Hearing

Chair Introductions

PUBLIC RULE-MAKING HEARING – 9:00 a.m.

Attachments at tab:

1. Public Rule-Making Hearing ScriptA
2. Rules Under Consideration
 - WAC 4-30-130 What are the quality assurance review (QAR) requirements for licensed CPA firms ?.....B
3. Written Stakeholder Comments - None

REGULAR MEETING AGENDA

1. Rules, Policies, and Delegations of Authority Review
 - a. Board's deliberation on proposed rules considered at the public rule-making hearing. See listing above under Public Rule-Making Hearing – Item 2
 - b. Board consideration to advance proposed rule, and proposed changes to rule, policy, and delegations of authority:
 - WAC 4-30-088 What is the effect on a Washington individual licensee or CPA-Inactive certificateholder in the armed forces, reserves, or National Guard if the individual receives orders to deploy for active military duty?C
 - 2014 Proposed Rule change to WAC 4-30-140 What are the authority, structure, and processes for investigations and sanctions?D
 - 2014 Proposed changes to Board Policy 2004-1 and Delegations of AuthorityE
2. Minutes – April 17, 2014, Regular Board Meeting.....F
3. Executive Director presentation of Cross-Border discussions with British Columbia Institute and request for approval of draft framework, *Regulating Public and Professional Accounting*

The Board of Accountancy schedules all public meetings at barrier free sites. Persons who need special assistance, such as enlarged type materials, please contact the Board's Americans with Disabilities Act contact person:

Richard Sweeney, Washington State Board of Accountancy
PO Box 9131, Olympia, WA 98507-9131
Phone: 360-586-0163 E-mail: ricks@cpaboard.wa.gov

7-1-1 or 1-800-833-6388 (TTY) - 1-800-833-6385 (Telebraille)
(TTY and Telebraille service nationwide by Washington Relay
www.washingtonrelay.com)

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Regular Board Meeting Agenda
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in British Columbia and Washington, and report on a meeting in BC to develop a Memorandum of Cooperation between British Columbia and WBOA G

4. NASBA Update

5. Legal Counsel's Report

6. Chair's Report

- a. Letter to Hawaii Board of Public Accountancy H

7. Committee/Task Force Reports

- a. Executive – Emily Rollins, CPA, Chair - *Verbal Report*
b. Compliance Assurance Oversight – Edwin Jolicoeur, CPA, Chair – *No Report*
c. Legislative Review – Don Aubrey, CPA, Chair – *No Report*
d. Quality Assurance – Thomas Neill, CPA, Chair - *Verbal Report* I
e. Request Review – Karen Saunders, CPA, Chair – *Verbal Report* J
f. State Ethics Compliance – Lauren Jassny, Ethics Advisor – *No Report*
g. Qualifications – Thomas Neill, CPA, Chair – *Verbal Report*

8. Executive Director's Report

- a. Discussion on CPA Services to the Marijuana-Cannabis Industry K
b. Report on Discussion in Washington, D.C. with the chair of the Native American Finance Officers association (NAFOA) and representatives from several tribes in the United States, including next steps
c. Report on Board directive for the Executive Director to reevaluate the qualification under WAC 4-30-134(6), *CPE in ethics and regulation*, of three ethics courses produced by Rigos Professional Education Programs

9. Review of Dismissed Cases – Ed Jolicoeur, CPA – *Verbal Report*

10. Director of Investigation's Report..... L

11. Executive and/or Closed Sessions with Legal Counsel

12. Public Input - To ensure the public has an opportunity to address its concerns and the Board has an opportunity to ask questions of the public. Individual speakers will be provided 10 minutes each.

WASHINGTON STATE BOARD OF ACCOUNTANCY
RULES HEARING OUTLINE
July 24, 2014

Presiding officer read or paraphrase BOLD type entries
Italics are explanatory notes to presiding officer

Opening statement:

The Board of Accountancy rules hearing is now in session. The date is Thursday, July 24, 2014. The time is _____. My name is Emily Rollins. I am Chair of the Board of Accountancy.

Copies of the rule proposal are available at the back of the room. If you have not already done so, please register your attendance at this hearing on the attendance roster at the back of the room. Please indicate on the roster whether you wish to testify.

Have Board Members, legal counsel, and staff in attendance introduce themselves.

Explain hearing sequence and ground rules as follows:

The hearing will be conducted as follows:

I will identify the rules presented for testimony and the Executive Director will present a brief statement for each proposal.

2. I will use the attendance roster to invite testimony on the proposal. When you give testimony, please:

- **Stand**
- **State your name and organization if you speak for a group**
- **Limit your testimony to the rule proposal currently before the Board.**
- **After you testify, please remain standing for questions, and**
- **If you are testifying from text, please provide a copy to Board staff.**

Testimony is limited to 10 minutes for each speaker.

3. When the testimony is complete the hearing will be closed. The Board will consider the proposed rule changes at its Board meeting later today.

The rule proposal concerns:

WAC 4-30-130 What are the quality assurance review (QAR) requirements for licensed CPA firms?

Richard Sweeney, the Board's Executive Director, will present a brief statement for each proposal. Rick presents the statement.

The rule proposals have been identified. We will now move to the testimony.

1. TESTIMONY FROM ATTENDANCE ROSTER

OVER

Ask for testimony from the audience according to the order on the attendance roster. After testimony is complete you will invite questions from the Board members.

Will (name of individual) please come forward to present testimony?

When the testimony is complete you may ask questions of the individual.

2. OTHER TESTIMONY

*After all persons on the attendance roster have testified, ask if others wish to testify. **Is there anyone who wishes to testify that has not had the opportunity?***

3. CLOSING STATEMENT:

Thank you for your testimony.

The Board will deliberate on the oral and written testimony and the proposed rules later today during its annual Board meeting. All participants will be notified in writing of the Board's decision regarding the proposed rules. Thank you all for your participation. This hearing is now closed.



PROPOSED RULE MAKING

CR-102 (June 2012)

(Implements RCW 34.05.320)

Do NOT use for expedited rule making

Agency: Board of Accountancy

- ☒ Preproposal Statement of Inquiry was filed as WSR 14-03-037 ; or
☐ Expedited Rule Making--Proposed notice was filed as WSR _____; or
☐ Proposal is exempt under RCW 34.05.310(4) or 34.05.330(1).

- ☒ Original Notice
☐ Supplemental Notice to WSR
☐ Continuance of WSR _____

Title of rule and other identifying information: (Describe Subject)

WAC 4-30-130 What are the quality assurance review (QAR) requirements for licensed CPA firms?

Hearing location(s):

Holiday Inn Seattle Airport
Queen Anne Room
17338 International Boulevard
Seattle, WA 98188

Date: July 24, 2014 Time: 9:00 AM**Submit written comments to:**

Name: Richard C. Sweeney, Executive Director
Address: PO Box 9131
Olympia, WA 98507-9131
e-mail info@cpaboard.wa.gov
fax (360)664-9190 by (date) July 03, 2014

Assistance for persons with disabilities: ContactKirsten Donovan by 07/03/2014

TTY (800) 833-6388 or (800) 833-6385 (Telebraille)

Date of intended adoption: July 24, 2014

(Note: This is NOT the effective date)

Purpose of the proposal and its anticipated effects, including any changes in existing rules:

1. To enhance public protection by specifying the timing and conditions under which a reviewed firm must notify the board of disagreements on a proposed grade and/or fees charged for a firm's peer review;
2. To clarify that withholding compensation for a peer review as a result of a disagreement about a proposed grade may result in Board action; and
3. To clarify when the Board will take its own action to evaluate the subject firm's conformity with professional standards.

Reasons supporting proposal: To specify corrective actions for those firms who do not comply with the peer review requirements.**Statutory authority for adoption:** RCW 18.04.055(9)**Statute being implemented:** RCW 18.04.055(9)**Is rule necessary because of a:**

Federal Law?

☐ Yes ☒ No

Federal Court Decision?

☐ Yes ☒ No

State Court Decision?

☐ Yes ☒ No

If yes, CITATION:

CODE REVISER USE ONLY

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: April 21, 2014TIME: 1:51 PM

WSR 14-09-082

DATE

April 21, 2014

NAME (type or print)

Richard C. Sweeney

SIGNATURE

TITLE

Executive Director

(COMPLETE REVERSE SIDE)

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:

Name of proponent: (person or organization) The Washington State Board of Accountancy

☐ Private
☐ Public
☒ Governmental

Name of agency personnel responsible for:

Name	Office Location	Phone
Drafting..... Richard C. Sweeney, CPA	711 Capitol Way S, Suite 400, Olympia, WA	(360) 586-0163
Implementation.... Richard C. Sweeney, CPA	711 Capitol Way S, Suite 400, Olympia, WA	(360) 586-0163
Enforcement..... Richard C. Sweeney, CPA	711 Capitol Way S, Suite 400, Olympia, WA	(360) 586-0163

Has a small business economic impact statement been prepared under chapter 19.85 RCW or has a school district fiscal impact statement been prepared under section 1, chapter 210, Laws of 2012?

☐ Yes. Attach copy of small business economic impact statement or school district fiscal impact statement.

A copy of the statement may be obtained by contacting:

Name:

Address:

phone () _____

fax () _____

e-mail _____

☒ No. Explain why no statement was prepared.

The proposed rules will not have more than minor economic impact on business.

Is a cost-benefit analysis required under RCW 34.05.328?

☐ Yes A preliminary cost-benefit analysis may be obtained by contacting:

Name:

Address:

phone () _____

fax () _____

e-mail _____

☒ No: Please explain: The Board of Accountancy is not one of the agencies required to submit to the requirements of RCW 34.05.328(5)(a).

AMENDATORY SECTION (Amending WSR 12-17-054, filed 8/10/12, effective 9/10/12)

WAC 4-30-130 What are the quality assurance review (QAR) requirements for licensed CPA firms? (1) **Purpose.** The Washington state board of accountancy is charged with protection of the public interest and ensuring the dependability of information used for guidance in financial transactions or for accounting for or assessing the status or performance of commercial and noncommercial enterprises, whether public, private or governmental. The purpose of the QAR program is to monitor licensees' compliance with audit, compilation, review, and other attestation standards. If the board becomes aware that a firm's performance and/or reporting practices for audit, review, compilation, and other engagements covered by statements on standards for attestation engagements may not be in accordance with applicable professional standards, the board will take appropriate action to protect the public interest.

(2) **Peer review.** Generally, all (~~licensed~~) firms licensed in Washington state offering and/or performing attest services as defined by WAC 4-30-010(5), compilation services, as defined by WAC 4-30-010(12), or other professional services for which a report expressing assurance is prescribed by professional standards (~~in Washington state~~), are required to participate in a board-approved peer review program as a condition of renewing each CPA firm license under RCW 18.04.215 and WAC 4-30-114. However, certain exemptions are listed in subsection (~~(10)~~) (11) of this section. Board-approved peer review programs include:

(a) The inspection processes of the Public Company Accounting Oversight Board (PCAOB);

(b) Peer review programs administered by the American Institute of CPAs (AICPA);

(c) Peer review programs administered by the Washington Society of CPAs (WSCPA); and

(d) Other programs recognized and approved by the board.

(3) **Enrollment in peer review:** A licensed firm must enroll in a board-approved peer review program **before** issuing a report for each of the following types of service or any other service the board determines:

(a) Compilation on historical financial statements;

(b) Review on historical financial statements;

(c) Audit report on financial statements, performance audit reports, or examination reports on internal controls for nonpublic enterprises;

(d) (~~Agreed-upon procedures,~~

~~(e) Forecasts, and~~

~~(f) Projections))~~ Other professional services subject to Statements on Standards for Attestation Engagements.

The schedule for the firm's peer review shall be established according to the peer review program's standards. The board does not require any licensee to become a member of any organization administering a peer review program.

(4) **Participation in peer review.** Every firm that is required to participate in a peer review program shall have a peer review in accordance with the peer review program standards.

(a) It is the responsibility of the firm to anticipate its needs for review services in sufficient time to enable the reviewer to complete the review by the assigned review date.

(b) Any firm that is dropped or terminated by a peer review program for any reason shall have twenty-one days to provide written notice to the board of such termination or drop and to request authorization from the board to enroll in another board-approved peer review program.

(c) In the event a firm is merged, otherwise combined, dissolved or separated, the peer review program shall determine which firm is considered the succeeding firm. The succeeding firm shall retain its peer review status and the review due date.

(d) A firm choosing to change to another peer review program may do so only if there is not an open active peer review and if the peer review is performed in accordance with the minimum standards for performing and reporting on peer reviews.

(5) **Reporting requirements.** Every firm must provide the following information, along with the appropriate fees, with every application for renewal of a firm license by April 30th of the renewal year (~~(of expiration that may consist of but is not limited to)~~):

(a) Certify whether the firm does or does not perform attest services or compilation services as defined by WAC 4-30-010 (5), (12), or other professional services for which a report expressing assurance is prescribed by professional standards in Washington state;

(b) If the firm is subject to the peer review requirements, provide the name of the approved peer review program in which the firm is enrolled, and the period covered by the firm's most recent peer review;

(c) Certify the result of the firm's most recent peer review.

Failure to timely submit complete information and the related fee by the April 30th due date can result in the assessment of late fees. The board may waive late fees based on individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment.

(6) A firm must notify the board within thirty days of the date the peer reviewer or a team captain advises the firm that a grade of pass with deficiencies or fail will be recommended. The notification must include the details of any required corrective action plan being recommended by the peer reviewer or team captain, and the planned date (or time period within which) the firm would intend to complete such remedial action or actions if proposed corrective action plan is approved by the appropriate peer review acceptance committee.

Notwithstanding any extensions of time by the peer review program administrator, failure by the firm to meet its planned schedule for completing its specific corrective action plan required by the peer review program and/or timely pay for the peer review services can result in board action.

(7) **Documents required.** A firm that has opted out of participating in the AICPA Facilitated State Board Access (FSBA) program shall provide to the board copies of the following documents related to the peer review report:

- (a) Peer review report issued;
- (b) Firm's letter of response, if any;
- (c) Letter of acceptance from peer review program;
- (d) Recommended action letter from the peer review program, if any;

(e) A letter from the firm to the board describing corrective actions taken by the firm that relate to recommendations of the peer review program;

(f) Other information the firm deems important for the board's understanding of the information submitted; and

(g) Other information the board deems important for the understanding of the information submitted.

~~((+7+))~~ **(8) Document retention.** Firms shall retain all documents relating to peer review reports, including working papers of the underlying engagement subject to peer review that was reviewed, until the acceptance of a subsequent peer review by the peer review program or for five years from the date of acceptance of the most recent peer review ~~((by the peer review program))~~, whichever is sooner.

~~((+8+))~~ **(9) Extensions.** The board may grant an extension of time for submission of the peer review report to the board. Extensions will be determined by the board on a case-by-case basis.

~~((+9+))~~ **(10) Verification.** The board may verify the certifications of peer review reports that firms provide.

~~((+10+))~~ **(11) Exemption from peer review.**

(a) Out-of-state firms that do not have a physical location in this state, but perform attest or compilation services in this state, and are otherwise qualified for practice privileges under RCW 18.04.195 (1)(b) are not required to participate in the board's program if the out-of-state firm participates in a board-approved peer review program or similar program approved or sponsored by another state's board of accountancy.

(b) Firms that do not perform attest services as defined by WAC 4-30-010(5), compilation services, as defined by WAC 4-30-010(12), or other professional services for which a report expressing assurance is prescribed by professional standards ~~((in Washington state))~~ are not required to participate in a peer review program, and shall request exemption on each firm license renewal application.

(c) Firms that prepare financial statements **which do not require reports** under Statements on Standards for Accounting and Review Services ~~((SSARS) 8 as codified in SSARS 19))~~ (management use only compilation reports) and that perform no other attest or compilation services, are not required to participate in a peer review program; however, any such engagements ~~((conducted))~~ performed by a firm that is otherwise required to participate in a peer review program shall be included in the selection of engagements subject to peer review.

~~((+11+))~~ **(12) Quality assurance oversight.**

(a) The board will:

(i) Annually appoint a compliance assurance oversight committee, and such other committees as the board, in its discretion deems necessary, to provide oversight of the administration of approved peer review programs in order to provide reasonable assurance that peer reviews are being conducted and reported on in accordance with the minimum standards for performing and reporting on peer reviews;

(ii) Consider reports from the compliance assurance oversight committee;

(iii) Direct the evaluation of peer review reports and related documents submitted by firms;

(iv) Determine the appropriate action for firms that have unresolved matters relating to the peer review process or that have not complied with, or acted in disregard of the peer review requirements;

(v) Determine appropriate action for firms when issues with a peer review report may warrant further action; and

(vi) Take appropriate actions the board, in its discretion, deems appropriate to carry out the functions of the quality assurance review program and achieve the purpose of the peer review requirement.

(b) The **compliance assurance oversight committee** shall conduct oversight of approved peer review programs at least semiannually to provide reasonable assurance that such programs are in compliance with the minimum standards for performing and reporting on peer reviews.

(i) The compliance assurance oversight committee's oversight procedures may consist of, but are not limited to:

(A) Attending the peer review program's report acceptance body (RAB) meetings during consideration of peer review documents;

(B) Observing the peer review program administrator's internal review of program and quality control compliance((-));

(C) Observing the peer review program's review of the administrator's process.

(ii) The compliance oversight assurance committee shall report to the board any modifications to approved peer review programs and shall make recommendations regarding the continued approval of peer review programs.

~~((12))~~ **(13) Remedies.** ~~((The board's quality assurance review program is intended to monitor the quality of a firm's attest and compilation practices and compliance with professional standards (RCW 18.04.065(9)). If the board determines that a firm's attest or compilation engagement performance and/or reporting practices are not in accordance with applicable professional standards and, therefore, the board determines that one or more of the engagements are, or could be, substandard or seriously questionable, the board will take appropriate action to protect the public interest including, but not limited to:))~~ The board will take appropriate action to protect the public's interest if the board determines through the peer review process or otherwise that a firm's performance and/or reporting practices are not or may not be in accordance with applicable professional standards, the firm does not comply with peer review program requirements, or the firm does not comply with all or some of the reporting, remedial action, and/or fee payment requirements of subsection (5) of this section. The board's actions may include, but are not limited to:

(a) Require the firm to develop quality control procedures to provide reasonable assurance that similar occurrences will not occur in the future;

(b) Require any individual licensee who had responsibility for, or who substantially participated in the ~~((substandard or seriously questionable compilation or attest))~~ engagement(s), to successfully complete specific courses or types of continuing education as specified by the board;

(c) Require that the reviewed firm responsible for ~~((one or more substandard or seriously questionable compilation or attest))~~ engagement(s) submit all or specified categories of its compilation or attest working papers and reports to a preissuance evaluation performed by a board-approved licensee in a manner and for a duration prescribed by the board. Prior to the firm issuing the reports on the engagements reviewed, the board-approved licensee shall submit to the board for board acceptance a report of the findings, including the nature and frequency of recommended actions to the firm. The cost of the board-approved preissuance evaluation will be at the firm's expense;

(d) Require the reviewed firm to engage a board-approved licensee to conduct a board-prescribed on-site field review of the firm's work product and practices or perform other investigative procedures to as-

sess the degree or pervasiveness of (~~substandard or seriously questionable~~) noncompliant work product. The board-approved licensee engaged by the firm shall submit a report of the findings to the board within thirty days of the completion of the services. The cost of the board-prescribed on-site review or other board-prescribed procedures will be at the firm's expense; or

(e) Initiate an investigation pursuant to RCW 18.04.295, 18.04.305, and/or 18.04.320(~~(, and)~~).

(f) Absent an investigation the specific rating of a single peer review report(~~(, individually,)~~) is not a sufficient basis to warrant disciplinary action.

(~~(13)~~) (14) The board may solicit and review licensee reports and/or other information covered by the reports from clients, public agencies, banks, and other users of such information.



PREPROPOSAL STATEMENT OF INQUIRY

CR-101 (June 2004)

(Implements RCW 34.05.310)
Do NOT use for expedited rule making

Agency: Board of Accountancy

Subject of possible rule making:

WAC 4-30-088 What is the effect on a Washington individual licensee or CPA-Inactive certificateholder in the armed forces, reserves, or National Guard if the individual receives orders to deploy for active military duty?

Statutes authorizing the agency to adopt rules on this subject:

RCW 18.04.055; RCW 18.04.105(1); RCW 18.04.215(1),

Reasons why rules on this subject may be needed and what they might accomplish:

This proposed rule is drafted to relieve military personnel deployed on active military duty and members of the state's National Guard called to duty by this state's governor from the requirements of renewal and payment of fees during a period of active duty and for a reasonable time thereafter.

In addition this proposal conforms to the expedited permitting requirements of WAC 246-12-051

Identify other federal and state agencies that regulate this subject and the process coordinating the rule with these agencies:

None.

Process for developing new rule (check all that apply):

- ☐ Negotiated rule making
- ☐ Pilot rule making
- ☒ Agency study
- ☐ Other (describe)

How interested parties can participate in the decision to adopt the new rule and formulation of the proposed rule before publication:

(List names, addresses, telephone, fax numbers, and e-mail of persons to contact; describe meetings, other exchanges of information, etc.)

Richard C. Sweeney, Executive Director
Washington State Board of Accountancy
PO Box 9131
Olympia, WA 98507-9131
Phone: (360) 586-0163; Fax: (360) 664-9190
Email: info@cpaboard.wa.gov

DATE

May 15, 2014

CODE REVISER USE ONLY

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: May 15, 2014

TIME: 4:18 PM

WSR 14-11-048

NAME (TYPE OR PRINT)

Richard C. Sweeney, CPA

SIGNATURE

TITLE

Executive Director

NEW SECTION

WAC 4-30-088 What is the effect on a Washington individual licensee or CPA-Inactive certificateholder in the armed forces, reserves, or National Guard if the individual receives orders to deploy for active military duty? (1) Definitions. For purposes of this rule:

(a) "Active military duty" means:

(i) Deployed upon order of the President of the United States, the U.S. Secretary of Defense or Homeland Security in the case of a member of the armed forces or armed force reserves; or

(ii) Deployed upon order of the governor of this state in the case of the National Guard.

(b) "Armed forces" means the Army, Navy, Air Force, Marine Corps, and Coast Guard and reserves of each branch of the armed forces.

(c) "Active duty" means full-time employment in the armed forces of the United States. Such term does not include National Guard duty.

(d) "Military individual" means a living human being serving full time in the United States armed forces.

(e) "Military spouse" means the husband, wife, or registered domestic partner of a military individual.

(2) **Active military duty.**

(a) An individual fully employed on active duty in the armed forces of the United States applying for an initial license in this state shall receive priority processing of the application for initial licensing.

(b) A military applicant who obtains an initial license or a military individual holding a current license issued by this board, will be classified as "military" if the services provided to the armed forces include services within the definition of the practice of public accounting.

(c) An individual in the armed forces, reserves or National Guard and called to "active military duty" while holding an active license or CPA-Inactive certificate issued by this board may apply for a waiver of renewal fees and continuing professional education (CPE):

(i) The request for waiver of renewal fees and continuing professional education may be made through the board's online application and payment system or on a form provided by the board upon request;

(ii) The request for waiver must be supported by submitting documentation to substantiate the military individual's "active military duty" status;

(iii) Upon approval the waiver will serve to classify the individual as "military inactive";

(iv) The CPE reporting period and renewal year will not be affected by this reclassification of status;

(v) The waiver will continue to maintain an individual's military inactive status without fee or CPE until the individual is released from active military duty or discharged from the armed forces, reserves, or National Guard;

(vi) The board must be notified within six months after the date of release from active military duty or discharge from the armed forces. The board must be notified within six months of the date of release from a treatment facility if the individual is or has been in a treatment facility and a discharge was the result of injury or other reasons.

(3) **Return to previously held status after release from "active military duty" or discharge from the armed forces.**

(a) If a military individual desires to return to a previously held status after release from active military duty or discharge from the armed forces, all required information, documents, and fees must be submitted to the board before the application will be evaluated. An application for return to previously held status may be made through the board's online application and payment system or on a form provided by the board upon request and must include the following:

(i) Documentation to substantiate:

- Release from "active military duty"; or
- Type of discharge from the armed forces.

(ii) Documentation to substantiate completion of the following qualified CPE:

- If the application is submitted in the last year of the previous CPE reporting period the individual must have completed four CPE credit hours in ethics and regulation in Washington state and receive a passing grade of ninety percent on the board prepared examination available on the board's web site. The renewal fee is waived in this circumstance;

- If the application is submitted in the second year of the previous CPE reporting period the individual must have completed forty CPE credit hours including four CPE credit hours in ethics and regulation in Washington state and receive a passing grade of ninety percent on the board prepared examination available on the board's web site;

- If the application is submitted in the first year of the previous CPE reporting period the individual must have completed eighty CPE credit hours including four CPE credit hours in ethics and regulation in Washington state and receive a passing grade of ninety percent on the board prepared examination available on the board's web site.

(iii) A military individual may receive an expedited license while completing any specific requirements that are not related to CPE or other board rules.

(b) The previously held status will not become effective until the status has been posted to the board's data base and, therefore, made available to the general public.

(4) Military spouses.

(a) A military spouse or state registered domestic partner of an individual in the military may receive an expedited license while completing any specific additional requirements that are not related to training or practice standards for the profession, provided the military spouse or state registered domestic partner:

(i) Holds an unrestricted, active license in another state that has substantially equivalent licensing standards for the same profession to those in Washington; and

(ii) Is not subject to any pending investigation, charges, or disciplinary action by the regulatory body of another state or jurisdiction of the United States.

(b) To receive expedited license treatment, the military spouse or state registered domestic partner of an individual in the military must provide all required information, documents, and fees to the board either by making application through the board's online application and payment system or on a form provided by the board upon request before the application will be evaluated.

(c) The application for expedited licensing will not be processed until the applicant submits copies to the board of the military individual's orders and official documents to establish the applicant's relationship to the military individual, such as one or more following documents:

(i) The military issued identification card showing the individual's military information and the applicant's relationship to that individual;

(ii) A marriage license; or

(iii) Documentation verifying a state registered domestic partnership.

(d) A military spouse or state registered domestic partner may only use a restricted title and practice public accounting under another state's license without an expedited license issued by this board for ninety days from the date the spouse entered this state for temporary residency during the military individual's transfer to this state.

DRAFT



PREPROPOSAL STATEMENT OF INQUIRY

CR-101 (June 2004)

(Implements RCW 34.05.310)
Do NOT use for expedited rule making

Agency: Board of Accountancy

Subject of possible rule making:

WAC 4-30-140 What are the authority, structure, and processes for investigations and sanctions?

Statutes authorizing the agency to adopt rules on this subject:

RCW 18.04.045(7) and (8); RCW 18.04.055; RCW 18.04.295; RCW 18.04.350(6)

Reasons why rules on this subject may be needed and what they might accomplish:

Rule-making is needed to expand the authority, structure, and processes for investigations and sanctions to include the determination of a case, the detailed process of an investigation, and guidelines used for sanctioning. The changes will incorporate the provisions of Board Policy 2004-1.

Identify other federal and state agencies that regulate this subject and the process coordinating the rule with these agencies:

None.

Process for developing new rule (check all that apply):

- ☐ Negotiated rule making
- ☐ Pilot rule making
- ☒ Agency study
- ☐ Other (describe)

How interested parties can participate in the decision to adopt the new rule and formulation of the proposed rule before publication:

(List names, addresses, telephone, fax numbers, and e-mail of persons to contact; describe meetings, other exchanges of information, etc.)

Richard C. Sweeney, Executive Director
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DATE

January 8, 2014

NAME (TYPE OR PRINT)

Richard C. Sweeney, CPA

SIGNATURE

TITLE

Executive Director

CODE REVISER USE ONLY

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: January 08, 2014

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WSR 14-03-036

WAC 4-30-140 What are the authority, structure, and processes for investigations and sanctions? Investigations are responsive to formal complaints or indications of a potential violation of chapter 18.04 RCW and in all proceedings under RCW 18.04.295 or chapter 34.05 RCW.

Investigations must be directed and conducted by individuals sufficiently qualified and knowledgeable of the subject matter of an investigation.

The board chair may delegate investigative authority and responsibility for initiating and directing investigations to a designee including the executive director of the board (RCW 18.04.045(7)).

The general responsibilities when directing an investigation are:

- (1) Determine whether the complaint or other source of information is within the authority of the board;
- (2) Determine the most likely sanction the board might impose if the alleged violation is proven;
- (3) Determine the scope and type of evidence needed to reach a conclusion whether a violation occurred;
- (4) Monitor communications to the person(s) affected by the investigative process;

(5) Monitor the progress of the evidentiary gathering process to ensure that the scope of inquiry and request for records is limited to that necessary to reach a conclusion whether the violation occurred;

(6) Upon completion of the investigation, evaluate the sufficiency of the evidence to support a conclusion as to whether a violation occurred;

(7) Develop a recommendation for dismissal or sanction for consideration by a consulting board member based upon the accumulated evidence and the board's "fair and equitable" standard for sanctioning.

The gathering of appropriate evidence should be assigned to staff or contract investigators who have no current or former close relationship to (or with) the complainant or the respondent.

[Statutory Authority: RCW 18.04.045 (7) and (8), 18.04.055, 18.04.295, 18.04.350(6). WSR 10-24-009, § 4-30-140, filed 11/18/10, effective 12/19/10.]

What are the authority, structure, and processes for investigations and sanctions?

Authority:

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Structure:

Investigations must be directed and conducted by individuals sufficiently qualified and knowledgeable of the subject matter of an investigation.

The general responsibilities when directing an investigation are:

- (1) Determine whether the complaint or other source of information is within the authority of the board;
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- (4) Monitor communications to the person(s) affected by the investigative process;
- (5) Monitor the progress of the evidentiary gathering process to ensure that the scope of inquiry and request for records is limited to that necessary to reach a conclusion whether the violation occurred;
- (6) Upon completion of the investigation, evaluate the sufficiency of the evidence to support a conclusion as to whether a violation occurred;
- (7) Develop a recommendation for dismissal or sanction for consideration by a consulting board member based upon the accumulated evidence and the board's "fair and equitable" standard for sanctioning.

Processes:

By Board delegation the Executive Director directs the complaint processes, investigative activities and, case resolution negotiations. The gathering of appropriate evidence should be assigned to staff or contract investigators who have no current or former close relationship to (or with) the complainant or the respondent.

Upon receiving a complaint or otherwise becoming aware of a situation or condition that might constitute a violation of the Public Accountancy Act (Act) or Board rules, the Executive Director will make a preliminary assessment.

If the Executive Director determines:

- The situation or condition is not within the Board's authority, the Executive Director may dismiss the matter, but a record of the event will be documented and maintained in the Board office. A summary of dismissals will be reported regularly to the Board.
- The situation or condition requires further evaluation, the Executive Director assigns the case to the **Director of Investigations**.

Details of the additional evidence gathered and the resulting conclusion by the Executive Director will be documented. If the Executive Director determines that:

- Sufficient evidence does not exist to merit Board action, the Executive Director may dismiss the case, **(Omits the current requirement for CBM concurrence)** but a record of the event will be documented and maintained in the Board office. A summary of dismissals will be reported regularly to the Board.
- Sufficient evidence exists to merit Board action and it is the first time an individual or firm is notified of a violation of the Public Accountancy Act or Board rule, the Executive Director may impose administrative sanctions approved by the Board for a First-Time offense.
- Sufficient evidence exists to merit Board consideration but the situation or condition, if proven, is not eligible for administrative sanctions, the Executive Director will discuss a resolution strategy and settlement parameters with a Consulting Board Member. Once the Executive Director and Consulting Board Member agree on those matters, the Executive Director and Director of Investigations will initiate a discussion for resolution with the respondent consistent with that agreed upon strategy and those settlement parameters.

The Executive Director may request guidance from a Consulting Board Member and/or the assistance of the prosecuting Assistant Attorney General at any time during the investigative and/or negotiation processes.

If the respondent is amenable to the suggested **resolution and terminology of a negotiated proposal**, the Executive Director will forward the proposal to the respondent for written acceptance. If accepted by the respondent, the proposal will be forwarded to the Board for approval.

Upon receiving and considering the formal settlement proposal, the respondent may offer a counterproposal. The Executive Director and Director of Investigations will discuss the counterproposal with a Consulting Board Member. The Executive Director and Consulting Board Member may agree to the counterproposal, offer a counter to the counterproposal, or reject the counterproposal.

If the Executive Director and Consulting Board Member reject the counterproposal or are unable to negotiate what they consider to be an acceptable alternative proposal with the respondent, the Executive Director will execute a Statement of Charges and refer the case to the

prosecuting Assistant Attorney General with the request that an administrative hearing be scheduled and the case prosecuted.

At the same time that the prosecuting Assistant Attorney General is preparing the case for prosecution, the prosecuting Assistant Attorney General (working with the Executive Director and Consulting Board Member) will continue to seek to a negotiated settlement (**consent agreement**) in lieu of a Board hearing. If the case goes to hearing before the Board, the prosecuting Assistant Attorney General, with the concurrence of the Executive Director and Consulting Board Member, will present the team's recommended sanction to the Board.

Through this process, the Consulting Board Member, the Executive Director and, when appropriate, the prosecuting Assistant Attorney General must individually and jointly act objectively and cooperatively to:

- Draw conclusions as to the allegations based solely on the evidence,
- Develop and present to the respondent a suggested settlement proposal that they believe the Board will accept because the proposal is fair and equitable and provides public protection, and
- If the case goes to a hearing before the Board, recommend an appropriate sanction or sanctions to the Board

No **proposed negotiated settlement** is forwarded to the Board unless the respondent, the Executive Director, Consulting Board Member and, when appropriate, the prosecuting Assistant Attorney General concur that the proposal is an acceptable resolution to the matter.

If the **participants in the negotiation** concur with the negotiated resolution and terminology of the agreement, a **proposed consent agreement** is to be signed by the respondent (and signed by the prosecuting Assistant Attorney General if the settlement was negotiated by the prosecuting Assistant Attorney General) and forwarded to the Board members (along with the Executive Director's, Consulting Board Member's and, when appropriate, prosecuting Assistant Attorney General's recommendation to accept the proposal) for consideration.

The Board is not bound by this recommendation.

All **proposed consent agreements** must be approved by a majority vote of the Board. A vote of five "no's" means the proposed settlement has been rejected by the Board. In such circumstances the case will return to the Executive Director, Consulting Board Member and prosecuting Assistant Attorney General who will determine whether the situation merits additional attempts to negotiate a settlement or to immediately schedule the matter for an administrative hearing before the Board.

All fully executed consent agreements and board orders become effective the date the document is signed by the board's presiding officer.

[Statutory Authority: RCW 18.04.045 (7) and (8), 18.04.055, 18.04.295, 18.04.350(6). WSR 10-24-009, § 4-30-140, filed 11/18/10, effective 12/19/10.]

2014
Board Policy 2004-1 and Board Delegations
Executive Director's Analysis

Board Policy 2004-1, as amended and approved by Board vote on April 23, 2013 Specifies the following duties of the Executive Director:

Policy Directive	Board Delegation(s)	Exec Permitted to Delegate to Director of Investigations?	CBM Concurrence Required	Prosecuting AAG Engaged
1. Direct the complaint processes, investigative activities, and case resolution negotiations	Sign, Issue, and Withdraw Charges and Intent to Deny	NO	Generally YES for investigations and settlements	Optional
2. Make Preliminary Assessments	N/A	Proposed NO Yes	NO	NO
3. Dismiss for No Authority	N/A	NO	NO	NO
4. Assign to staff investigator	N/A	YES	NO	NO
5. Conduct Investigation	Yes	Delegated Authority	Optional	Optional
6. Dismiss for lack of Evidence	N/A	NO	Proposed NO Yes	NO
7. Evidence of 1 st time Offense/ Admin Sanction	YES	NO	NO	NO
8. Develop Resolution Strategy and Settlement Parameters for offenses not eligible for admin sanction	YES	Proposed NO Yes	YES	NO
9. Conduct Settlement Negotiations	YES	NO	YES	Optional
10. Evaluate counter proposals	N/A	YES	YES	NO
11. Consent Agreements	N/A	N/A	YES	NO
12. Board Hearings	N/A	NO	YES	YES

No settlement proposal shall be forwarded for Board approval unless the Executive Director and Consulting Board Member concur that the proposal is an acceptable resolution.

Proposed Change to Board Policy 2004-1

Sanction and Penalty Guidelines

Policy Number: 2004-1
Title: Sanction and Penalty Guidelines
Revised:
Effective:
Approved:

*This policy rescinds and supersedes any previous Board policy.

The Board believes that consent agreements are more efficient and effective than administrative hearings. The key benefits of negotiated settlements are:

- The respondent participates in the development of the corrective action plan and sanction which enhances compliance and more timely public protection
- Cases resolved through the negotiated settlement process reduce costs for the benefit of both the general public and the respondent

The Board recognizes that administrative hearings:

- Delay the corrective action and thereby delay public protection
- Are not the most effective mechanism to generate a positive resolution to Board cases
- Are costly in terms of staff and other resources
- Require significant use of the Board's limited attorney general resources

Policy:

The Board embraces the respondent's involvement in determining the settlement proposal. This provides the respondent the opportunity to participate in development of the corrective action plan and ultimately encourages future compliance and public protection. To support the negotiation and settlement process, the Board provides the following guidance to the Executive Director and Consulting Board Member in crafting a suggested settlement proposal for presentation to the respondent and for negotiating a settlement. This guidance is solely for the use of the Consulting Board Member and the Executive Director or designee. It is not applicable to the prosecuting Assistant Attorney General.

The objective of this process is to administer the enforcement process in a fair and equitable manner and, when appropriate, seek settlement in lieu of a formal Board hearing.

Proposed Change to Board Policy 2004-1

I. The Board provides the following suggested considerations for the Executive Director ~~of designee~~ and Consulting Board Member when developing a suggested settlement; however, the Board does not intend that other factors, as deemed appropriate by the Executive Director ~~of designee~~ and Consulting Board Member, to be excluded:

- A. What are the enforcement goals of the particular case
- B. What are the permissible sanctions that the Board could impose
- C. What are the aggravating or mitigating factors relevant to the allegations
- D. What is the individual's past disciplinary or criminal history (if any)
- E. Are there identifiable trends, if any, in the individual's behavior
- F. What is the likelihood of the individual repeating the behavior
- G. What is the potential for future public harm
- H. What is the individual's potential for rehabilitation
- I. What is the extent of damages or injury
- J. What is the extent of public harm
- K. What is the extent of harm to the profession and the public's trust in the profession
- L. How can the public best be served and protected while implementing corrective action
- M. What steps are necessary to ensure the integrity of financial information
- N. What were the Board's sanctions with similar misconduct (if any exist) and has there been a trend in the Board's actions and/or changes in state law impacting the history of the Board's sanctions
- O. Has the individual been sanctioned by other enforcement agencies or through civil findings:
 - Fine
 - Cost recovery
 - Disgorgement
 - Practice or license restriction
 - Publication
 - Jail
- P. What was the magnitude of the sanctions by other enforcement agencies/civil findings
- Q. What impact did these other sanctions have on:
 - The individual's behavior
 - The individual's taking responsibility for her/his actions
 - The individual's ability to earn a livelihood
 - The public's awareness of the individual's misconduct
- R. Would a suspended license seriously impact the individual's livelihood and, if so, does the misconduct merit such an impact
- S. Did the individual lose their job/employment/livelihood due to the misconduct
- T. What is the individual's personal financial position
- U. Did the individual recently go through bankruptcy
- V. What is the individual's ability to pay cost recovery
- W. What is the individual's ability to pay a fine
- X. Has the individual already taken self-imposed corrective action (such as CPE, field review)
- Y. What is the length of time that has elapsed since the misconduct, the sanction, or the civil action
- Z. What is the public's exposure to the individual
- AA. Is the misconduct singular or repeated
- BB. Is the misconduct a clear violation or does it involve a statute, rule or standard which is subject to different interpretations
- CC. Was the misconduct intentional or unintentional
- DD. Did the misconduct involve dealing with unsophisticated or vulnerable parties

Proposed Change to Board Policy 2004-1

- EE. Did the CPA/individual profit or benefit from the misconduct
- FF. Did the CPA/individual make an effort to limit the harm or solve problems arising out of the misconduct
- GG. Did the misconduct take place after warnings from the agency
- HH. What was the Board's sanctioning authority at the time the misconduct occurred

II. The Board suggests the following considerations when considering a counterproposal negotiating a settlement:

- A. All of the items in Section III above
- B. What is the value to have the individual participate in the development of the corrective action
- C. How many outstanding Board cases have been referred to the prosecuting Assistant Attorney General and remain to be resolved
- D. What is the effect of a delay in resolution of this particular case and/or the effect of a delay in prosecution of other cases
- E. What is the severity of the particular case under negotiation as compared to the number of, and severity of, the cases with the prosecuting Assistant Attorney General
- F. What are the key objectives and goals of the enforcement action and what sanctions are absolutely necessary to ensure those goals are achieved
- G. Is there value to the public, the agency, and Attorney General's Office that can be obtained by having the agreement settled without going to an administrative hearing
- H. Consider the sanctioning guidelines in Section V

III. Legal and Investigative Costs

[RCW 18.04](#) authorizes the Board to recover legal and investigative costs. The Board considers the following to be reasonable legal and investigative costs:

- A. Investigative staff salaries and benefits (based on actual salary and benefit rates) for state staff conducting the investigation, including reporting, review, and follow-up costs
- B. Investigator travel expenses and per diem based on the state travel regulations as established by the Office of Financial Management
- C. Contract investigator, specialist, and expert witness expenses including travel expenses and per diem based on the state travel regulations as established by the Office of Financial Management
- D. Salaries and benefits (based on actual salary and benefit rates) for state staff preparing and reviewing the Board's order and associated communications with the respondent
- E. Prosecuting Assistant Attorney General charges associated with the case including travel expenses and per diem based on the state travel regulations as established by the Office of Financial Management
- F. Expenses for an administrative law judge including travel expenses and per diem based on the state travel regulations as established by the Office of Financial Management
- G. Administrative hearing costs including, but not limited to:
 - Attorney General charges (both for the Board's legal counsel and the prosecuting Assistant Attorney General) associated with the case including travel expenses and per diem based on the state travel regulations as established by the Office of Financial Management
 - Salaries and benefits (based on actual salary and benefit rates) for state staff preparing and reviewing the Board's order and associated communications with the respondent

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- Salaries and benefits (based on actual salary and benefit rates) for state staff called as a witness by either party to the administrative hearing
- Witness expenses including travel and per diem expenses based on the state travel regulations as established by the Office of Financial Management
- Court reporter charges
- Administrative hearing room costs and set-up charges

IV. Publication of Board Orders

1. A general public notice will be posted on the Board's public web site that information on Board orders and other sanctioning agreements is available under the Public Disclosure Act by contacting the Board's office.
2. The Board will post notice of Board orders for suspension, stayed suspension, revocation, and practice restriction on the Board's web site for approximately three years following the year of the Board order. In addition, for license and certificate suspension (including stayed suspension) and revocation:
 - Notice will be posted in the Daily Journal of Commerce
 - Notice will be provided to the AICPA and WSCPA
 - Notice will be posted to NASBA's Enforcement Information Exchange (EIX)
 - Representative(s)/Senator(s) for the respondent's location(s) will be notified
 - Other jurisdictions that have licensed the individual will be notified
 - The complainant(s) will be notified
 - Notice will be sent to the newspaper(s) in the respondent's location

In cases of non-compliance not resulting in administrative sanction, suspension, stayed suspension, revocation, or a Board ordered practice restriction, the Executive Director, with a majority vote of the Board, may direct that a notation be made referencing each of the Board's sanctioning actions on the Board's web site licensee search database for up to three years following the year the sanction was imposed.

In cases of administrative sanction, the Board will not publish the individual's or firm's name; however, the Board will:

- Post statistics related to these sanctions on the Board's web site
- Comply with the Public Disclosure Act

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- V. The Board acknowledges the following general sanctioning guidelines for the Executive Director or designee's and the Consulting Board Member's consideration as part of their process to develop a suggested settlement. The Board does not intend these guidelines to be a prescription or binding; nor does the Board wish to exclude or limit other sanctions or considerations that the Executive Director or designee and Consulting Board Member consider appropriate.

General Categories of Misconduct	Examples of Sanctionable Acts:
<p>ADMINISTRATIVE NON COMPLIANCE</p> <p>Use of title or holding out in public practice with a lapsed license/certificate</p> <p>Use of the CPA title by a CPA-Inactive certificateholder</p>	<ul style="list-style-type: none"> • License/certificate lapsed because the individual failed to file a license/certificate renewal. • License/certificate lapsed because the individual failed to notify the Board of a change of address, failed to receive their renewal application, and failed to file a license/certificate renewal. • The individual disregarded the lapsed license and continued to knowingly hold out with a lapsed license. • The individual discovered that their license/certificate lapsed and signed the reinstatement application stating that they did not use the title when the evidence demonstrates that they used the title. • CPA-Inactive who is a corporate CFO uses the CPA title in filing corporate documents with the SEC. • CPA-Inactive uses the CPA title to obtain a job in private industry. • CPA-Inactive who is also an attorney uses the CPA title when offering legal services to the public.
<p>CONSUMER/EMPLOYER HARM</p> <p>Embezzlement, fraud, dishonesty, or negligence</p> <p>Fiduciary malfeasance or breach of fiduciary duties</p> <p>Noncompliance with code of conduct including conflict of interest and confidentiality</p> <p>Failure to comply with a Board order</p>	<ul style="list-style-type: none"> • Theft from employer. • Felony obstruction of justice. • Theft of trust funds where the CPA was the trustee. • Manipulated a client's trust for the benefit of the CPA's child. • Manipulated a mentally impaired client for self-enrichment. • Failed to file personal tax returns and pay personal FIT. • Failed to transmit FICA and FIT withheld from employee's salary. • Failed to pay employer's portion of FICA. • Provided services to both the seller and the buyer during a business transaction without consent. • Provided services to both parties during a divorce

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General Categories of Misconduct	Examples of Sanctionable Acts:
<p>Failure to respond to Board inquiry</p> <p>IRS/SEC sanction/denial of practice privilege</p>	<p>without consent.</p> <ul style="list-style-type: none"> Failed to make restitution to injured parties as required by Board order. Repeated non compliance with stipulated Board Orders. Suspended from practice before the IRS due to substandard tax work. SEC practice restriction and/or sanction due to fraudulent SEC filing. SEC practice restriction and/or sanction due to substandard accounting practices.
<p>CONSUMER/EMPLOYER HARM</p> <p>Noncompliance with technical standards</p>	<ul style="list-style-type: none"> CPA is referred to the Board by the SEC due to an audit failure as a result of the CPA performing substandard audit procedures. CPA is referred to the Board by federal agencies due to failure to comply with <i>Yellow Book</i> standards. Substandard tax work resulted in penalty to a tax client.
<p>CONSUMER/EMPLOYER HARM</p> <p>Failure to provide client records upon reasonable notice and request</p>	<ul style="list-style-type: none"> Refused to return client records until the client paid the CPA's fees Did not return multiple clients' records due to procrastination. Did not return client records because the client terminated the relationship and obtained a new CPA.
<p>ADMINISTRATIVE NON COMPLIANCE</p> <p>Acts and omissions in filing an application for reinstatement or renewal of a license, certificate, or registration</p> <p>Failure to comply with a Board approved CPE waiver request</p>	<ul style="list-style-type: none"> Represented on the CPE audit form that CPE courses were obtained when evidence discloses that no or only a portion of the required CPE courses were taken. Signed the reinstatement or renewal form under the penalty of perjury that the CPE requirements were met and the individual obtained only a portion of the required hours. Signed the reinstatement or renewal form under the penalty of perjury that the CPE ethics requirements were met and the individual did not take the required ethics CPE.
<p>CONSUMER/EMPLOYER HARM</p> <p>Failed good character determination for initial</p>	<ul style="list-style-type: none"> The good character review was at the request of the applicant who was found guilty of a felony 3 years ago. The good character review as a result of the applicant's disclosure that 7 years prior they failed to

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<p>licensure</p> <p>Cheating on CPA Exam</p>	<p>file an income tax return and pay their tax obligation.</p> <ul style="list-style-type: none"> • The good character review was the result of the prosecutor alerting the Board to the applicant's being charged with a felony. • Cheating observed by the exam proctor.
<p>CONSUMER/EMPLOYER HARM</p> <p>Use of title or holding out in public practice by a nonCPA</p>	<ul style="list-style-type: none"> • Used title after passing the exam but without a license. • Used title to intentionally defraud investors.

Effective: October 29, 2004

*Revised: April 26, 2012; April 25, 2011; October 17, 2008; April 28, 2006; January 28, 2005

Guidelines for 1st Time Administrative Violations

These guidelines will be used when (a) it is the first time an individual or firm has been notified of an alleged specific type of violation of the Public Accountancy Act or Board rule, (b) the alleged violation occurred during any period the individual or firm is or was subject to Board jurisdiction, and (c) sufficient evidence is obtained by investigation to merit Board action.

	<u>Administrative Violation:</u>	<u>Board Approved Sanction:</u>
1.	First noncommercial use of a restricted title on <i>Business Cards, Resumes</i> or other <i>Applications for Employment</i> in Washington state after establishing residency in this state but prior to obtaining credentialed status in Washington State, <i>Provided:</i> the individual did not use the title while a resident in conjunction with offering or rendering professional services.	Administrative Notice to Cease and Desist
2.	First-time use of a restricted title by an individual within the 18-month period following successful completion of the Uniform CPA Examination but who has not yet been credentialed by the Board	\$500 fine + cost recovery + submission of proof of completion of Board approved course in ethics and regulation in Washington State regulation applicable to the practice of public accounting <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>

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3.	First-time use of a restricted title with a lapsed individual license or CPA-Inactive status. <i>Provided:</i> The individual did not use the CPA or CPA-Inactive title for more than 90 days after the date of transmittal by Board staff of a <i>Notice of Noncompliance</i> .	<i>\$750 fine+ late fee + cost recovery to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
4.	First time representation on a reinstatement application that the CPA title had not been used when in fact the title had been used.	<i>\$750 fine+ late fee + cost recovery to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
5.	First time failure to obtain a firm license by a Washington resident firm owned by one individual for more than 90 days after the date of transmittal by Board staff of a <i>notice of noncompliance</i> .	<i>\$750 fine + cost recovery + submission of proof of completion of Board approved course in ethics and regulation in Washington State to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction..</i>
6.	First-time failure to timely change either or both individual and/or firm addresses.	<i>\$0-\$200 fine + cost recovery (unless the failure to timely change the address results in a more severe first-time administrative violation and sanction) to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
7.	First-time failure by a firm to timely notify the Board of changes in the firm name, ownership, or managing licensee of the firm's main office after the date of transmittal by Board staff of a <i>Notice of noncompliance</i> ..	<i>\$500 fine + cost recovery to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
8.	First-time CPE deficiency by a licensee, CPA-Inactive certificateholder, or nonCPA firm owner <i>not exceeding 16 hours</i> .	<p><u>Licensee:</u> Exclusive of the required 4 hour course addressing ethics and regulation in Washington State a <u>sliding scale</u>:</p> <p>\$250 fine for a deficiency up to and including 8 hours;</p> <p>\$500 fine for deficiency up to and including 16 hours;</p> <p>Additional (separate) \$500 fine if the deficiency includes or is limited to failure to complete the required 4-hour course addressing ethics and regulation in Washington State.</p>

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		<p><u>CPA-Inactive Certificateholder or NonCPA firm owner:</u></p> <p>\$500 fine + cost recovery for failure to complete the required 4-hour course addressing ethics and regulation in Washington State</p> <p><i>All amounts assessed are to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i></p>
9.	First-time misunderstanding of courses qualifying for the CPE in regulatory ethics specific to Washington State.	\$100 fine + cost recovery + submission of proof of completion of Board approved course in ethics and regulation in the state of Washington <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
10.	First-time failure to meet CPE documentation requirements <u>determined by CPE audit</u> provided the documentation deficiency results from a cause or circumstance beyond the control of the credentialed person.	\$250 fine + cost recovery + submission of proof of completion of Board approved course in ethics and regulation in the state of Washington <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
11.	First-time use of titles likely to be confused with CPA, Certified Public Accountant, or CPA-Inactive by person never credentialed by this Board or not qualified for practice privileges pursuant to RCW 18.04.350(2).	\$1,500 fine + cost recovery + <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
12.	First-time failure to timely deliver records requested by a client as required by WAC 4-30-051, UNLESS the lack of "timely delivery" results in financial harm to the client by a state or federal regulatory agency or governmental unit.	\$1,500 fine + cost recovery + restitution for proven client costs incurred to reconstruct essential records incurred as a result of the lack of availability of such records + submission of proof of completion of Board approved course in ethics and regulation in the state of Washington <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction..</i>

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13.	First-time failure to timely respond to a request for administrative information or documents directly related to information and/or documents specified in Board rules (Title 4 WAC).	\$1,500 fine + cost recovery + submission of proof of completion of Board approved course in Ethics and Regulation in the state of Washington <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
14.	First-time Quality Review Program violation, e.g. lack of cooperation with reviewers, failure to comply with peer review program requirements, and/or non-payment of fee for a completed peer review service.	\$500 + cost recovery + (if applicable) restitution to reviewer (firm)+ other appropriate corrective remedies.

If an individual or firm's conduct includes multiple first-time administration violations, the Executive Director is to impose the more severe first-time administrative sanction.

In cases of Administrative Sanction, the Board will not publish the individual's or firm's name; however, the Board will:

- Post statistics related to these sanctions on the Board's web site
- Comply with the Public Records Act

Effective: April 28, 2006

Revised: Delegation and Appendix A Revised: January 26, 2012, by Board vote
Appendix A Revised: July 14, 2011, by Board vote
Delegation and Appendix A Revised: April 23, 2013, by Board vote



Washington State Board of Accountancy

Policy Number: 2004-1

Title: Sanction and Penalty Guidelines

Revised: April 23, 2013*

Approved: Emily R. Rollins, CPA, Chair
Emily R. Rollins, CPA, Chair

*This policy rescinds and supersedes any previous Board policy.

Background Information:

The Executive Director directs the Board's complaint processes, investigative activities, and case resolution negotiations.

Upon receiving a complaint or otherwise becoming aware of a situation or condition that might constitute a violation of the Public Accountancy Act (Act) or Board rules, the Executive Director or designee will make a preliminary assessment.

If the Executive Director or designee determines:

- The situation or condition is not within the Board's authority, the Executive Director may dismiss the matter, but a record of the event will be documented and maintained in the Board office. A summary of dismissals will be reported regularly to the Board.
- The situation or condition requires further evaluation, the Executive Director or designee may assign the case to an investigator.

Details of the additional evidence gathered and the resulting conclusion by the Executive Director or designee will be documented. If the Executive Director or designee determines that:

- Sufficient evidence does not exist to merit Board action, the Executive Director may dismiss the case after obtaining concurrence from a Consulting Board Member.
- Sufficient evidence exists to merit Board action and it is the first time an individual or firm is notified of a violation of the Public Accountancy Act or Board rule, the Executive Director may impose administrative sanctions approved by the Board for a first-time offense.
- Sufficient evidence exists to merit Board consideration but the situation or condition, if proven, is not eligible for administrative sanctions, the Executive Director or designee will discuss a resolution strategy and settlement parameters with a Consulting Board Member. Once the Executive Director or designee and Consulting

Board Member agree on those matters, the Executive Director or designee will initiate a discussion for resolution with the respondent consistent with that agreed upon strategy and those settlement parameters.

The objective of this process is to administer the enforcement process in a fair and equitable manner and, when appropriate, seek settlement in lieu of a formal Board hearing. The Executive Director or designee may request guidance from a Consulting Board Member and/or the assistance of the prosecuting Assistant Attorney General at any time during the investigative and/or negotiation processes.

If the respondent is amenable to the suggested terms of a settlement proposal, the Executive Director will forward the proposal to the respondent for written acceptance. If accepted by the respondent, the proposal will be forwarded to the Board for approval.

Upon receiving and considering the formal settlement proposal, the respondent may offer a counterproposal. The Executive Director or designee will discuss the counterproposal with a Consulting Board Member. The Executive Director or designee and Consulting Board Member may agree to the counterproposal, offer a counter to the counterproposal, or reject the counterproposal.

If the Executive Director and Consulting Board Member reject the counterproposal or are unable to negotiate what they consider to be an acceptable alternative proposal with the respondent, the Executive Director will execute a Statement of Charges and refer the case to the prosecuting Assistant Attorney General with the request that an administrative hearing be scheduled and the case prosecuted.

At the same time that the prosecuting Assistant Attorney General is preparing the case for prosecution, the prosecuting Assistant Attorney General (working with the Executive Director and Consulting Board Member) will continue to seek to a negotiated settlement proposal in lieu of a Board hearing. If the case goes to hearing before the Board, the prosecuting Assistant Attorney General, with the concurrence of the Executive Director and Consulting Board Member, will present the team's recommended sanction to the Board.

Through this process, the Consulting Board Member, the Executive Director and, when appropriate, the prosecuting Assistant Attorney General must individually and jointly act objectively and cooperatively to:

- Draw conclusions as to the allegations based solely on the evidence,
- Develop and present to the respondent a suggested settlement proposal that they believe the Board will accept because the proposal is fair and equitable and provides public protection, and
- If the case goes to a hearing before the Board, recommend an appropriate sanction or sanctions to the Board

No settlement proposal is forwarded to the Board unless the respondent, the Executive Director, Consulting Board Member and, when appropriate, the prosecuting Assistant Attorney General concur that the proposal is an acceptable resolution to the matter.

If the negotiation participants concur with the settlement proposal, the proposed settlement is signed by the respondent (and signed by the prosecuting Assistant Attorney General if the settlement was negotiated by the prosecuting Assistant Attorney General) and forwarded to the Board members (along with the Executive Director's, Consulting Board Member's and, when appropriate, prosecuting Assistant Attorney General's recommendation to accept the proposal) for consideration.

The Board is not bound by this recommendation.

All proposed settlements must be approved by a majority vote of the Board. A vote of five "no's" means the proposed settlement has been rejected by the Board. In such circumstances the case will return to the Executive Director, Consulting Board Member and prosecuting Assistant Attorney General who will determine whether the situation merits additional attempts to negotiate a settlement or to immediately schedule the matter for an administrative hearing before the Board.

The Board has found negotiations utilizing this process to be quite successful. The key benefits to this process are:

- The respondent participates in the development of the corrective action plan and sanction which enhances compliance and more timely public protection
- Cases resolved through the negotiated settlement process reduce costs for the benefit of both the general public and the respondent

The Board recognizes that administrative hearings:

- Delay the corrective action and thereby delay public protection
- Are not the most effective mechanism to generate a positive resolution to Board cases
- Are costly in terms of staff and other resources
- Require significant use of the Board's limited attorney general resources

Policy:

The Board embraces the respondent's involvement in determining the settlement proposal. This provides the respondent the opportunity to participate in development of the corrective action plan and ultimately encourages compliance, public protection, and integrity of financial data.

To support the negotiation and settlement process, the Board provides the following guidance to the Executive Director or designee and Consulting Board Member in crafting a suggested settlement proposal for presentation to the respondent and for negotiating a settlement. This guidance is solely for the use of the Consulting Board Member and the Executive Director or designee. It is not applicable to the prosecuting Assistant Attorney General.

I. Legal and Investigative Costs

RCW 18.04 authorizes the Board to recover legal and investigative costs. The Board considers the following to be reasonable legal and investigative costs:

- A. Investigative staff salaries and benefits (based on actual salary and benefit rates) for state staff conducting the investigation, including reporting, review, and follow-up costs
- B. Investigator travel expenses and per diem based on the state travel regulations as established by the Office of Financial Management
- C. Contract investigator, specialist, and expert witness expenses including travel expenses and per diem based on the state travel regulations as established by the Office of Financial Management
- D. Salaries and benefits (based on actual salary and benefit rates) for state staff preparing and reviewing the Board's order and associated communications with the respondent
- E. Prosecuting Assistant Attorney General charges associated with the case including travel expenses and per diem based on the state travel regulations as established by the Office of Financial Management
- F. Expenses for an administrative law judge including travel expenses and per diem based on the state travel regulations as established by the Office of Financial Management
- G. Administrative hearing costs including, but not limited to:
 - Attorney General charges (both for the Board's legal counsel and the prosecuting Assistant Attorney General) associated with the case including travel expenses and per diem based on the state travel regulations as established by the Office of Financial Management
 - Salaries and benefits (based on actual salary and benefit rates) for state staff preparing and reviewing the Board's order and associated communications with the respondent
 - Salaries and benefits (based on actual salary and benefit rates) for state staff called as a witness by either party to the administrative hearing
 - Witness expenses including travel and per diem expenses based on the state travel regulations as established by the Office of Financial Management
 - Court reporter charges
 - Administrative hearing room costs and set-up charges

II. Publication of Board Orders

1. A general public notice will be posted on the Board's public web site that information on Board orders and other sanctioning agreements is available under the Public Disclosure Act by contacting the Board's office.
2. The Board will post notice of Board orders for revocation, suspension, stayed suspension, and practice restriction on the Board's web site for approximately three years following the year of the Board order. In addition, for license and certificate suspension and revocation:
 - Notice will be published in the Daily Journal of Commerce.
 - Notice will be provided to the AICPA and WSCPA.
 - Representative(s)/Senator(s) for the respondent's location(s) will be notified.
 - Other jurisdictions that have licensed the individual will be notified.
 - The complainant(s) will be notified.
 - Notice will be sent to the newspaper(s) in the respondent's location.

Board actions resulting in revocation, suspension, or practice restriction are noted in the Board's public licensee search database. Accordingly, these Board actions also become available to other state board administrative management personnel through a national Automated Licensee Database (ALD) maintained by the National Association of State Boards of Accountancy (NASBA) and to the general public through CPAVerify.org.

3. In cases of other matters of non-compliance not resulting in administrative sanction, revocation, suspension, stayed suspension, or a Board ordered practice restriction, the Executive Director, with a majority vote of the Board, may direct that a notation be made referencing each of the Board's sanctioning actions on the Board's public licensee search database for up to three years following the year the sanction was imposed.
4. In cases of administrative sanction, the Board will not publish the individual's or firm's name; however, the Board will:
 - Post statistics related to these sanctions on the Board's web site.
 - Comply with the Public Records Act.

III. The Board provides the following suggested considerations for the Executive Director or designee and Consulting Board Member when developing a suggested settlement; however, the Board does not intend that other factors, as deemed appropriate by the Executive Director or designee and Consulting Board Member, to be excluded:

- A. What are the enforcement goals of the particular case?
- B. What are the permissible sanctions that the Board could impose?
- C. What are the aggravating or mitigating factors relevant to the allegations?
- D. What is the individual's past disciplinary or criminal history (if any) ?
- E. Are there identifiable trends, if any, in the individual's behavior?
- F. What is the likelihood of the individual repeating the behavior?

- G. What is the potential for future public harm?
- H. What is the individual's potential for rehabilitation?
- I. What is the extent of damages or injury?
- J. What is the extent of public harm?
- K. What is the extent of harm to the profession and the public's trust in the profession?
- L. How can the public best be served and protected while implementing corrective action?
- M. What steps are necessary to ensure the integrity of financial information?
- N. What were the Board's sanctions with similar misconduct (if any exist) and has there been a trend in the Board's actions and/or changes in state law impacting the history of the Board's sanctions?
- O. Has the individual been sanctioned by other enforcement agencies or through civil findings:
 - Fine
 - Cost recovery
 - Disgorgement
 - Practice or license restriction
 - Publication
 - Jail
- P. What was the magnitude of the sanctions by other enforcement agencies/civil findings?
- Q. What impact did these other sanctions have on:
 - The individual's behavior
 - The individual's taking responsibility for her/his actions
 - The individual's ability to earn a livelihood
 - The public's awareness of the individual's misconduct
- R. Would a suspended license seriously impact the individual's livelihood and, if so, does the misconduct merit such an impact?
- S. Did the individual lose their job/employment/livelihood due to the misconduct?
- T. What is the individual's personal financial position?
- U. Did the individual recently go through bankruptcy?
- V. What is the individual's ability to pay cost recovery?
- W. What is the individual's ability to pay a fine?
- X. Has the individual already taken self-imposed corrective action (such as CPE, field review) ?
- Y. What is the length of time that has elapsed since the misconduct, the sanction, or the civil action?
- Z. What is the public's exposure to the individual?
- AA. Is the misconduct singular or repeated?
- BB. Is the misconduct a clear violation or does it involve a statute, rule or standard which is subject to different interpretations?
- CC. Was the misconduct intentional or unintentional?
- DD. Did the misconduct involve dealing with unsophisticated or vulnerable parties?
- EE. Did the CPA/individual profit or benefit from the misconduct?
- FF. Did the CPA/individual make an effort to limit the harm or solve problems arising out of the misconduct?

- GG. Did the misconduct take place after warnings from the agency?
HH. What was the Board's sanctioning authority at the time the misconduct occurred?

IV. The Board suggests the following considerations when considering a counterproposal negotiating a settlement:

- A. All of the items in Section III above.
- B. What is the value to have the individual participate in the development of the corrective action?
- C. How many outstanding Board cases have been referred to the prosecuting Assistant Attorney General and remain to be resolved?
- D. What is the effect of a delay in resolution of this particular case and/or the effect of a delay in prosecution of other cases?
- E. What is the severity of the particular case under negotiation as compared to the number of, and severity of, the cases with the prosecuting Assistant Attorney General?
- F. What are the key objectives and goals of the enforcement action and what sanctions are absolutely necessary to ensure those goals are achieved?
- G. Is there value to the public, the agency, and Attorney General's Office that can be obtained by having the agreement settled without going to an administrative hearing?
- H. Consider the sanctioning guidelines in Section V.

V. The Board acknowledges the following general sanctioning guidelines for the Executive Director or designee's and the Consulting Board Member's consideration as part of their process to develop a suggested settlement. The Board does not intend these guidelines to be a prescription or binding; nor does the Board wish to exclude or limit other sanctions or considerations that the Executive Director or designee and Consulting Board Member consider appropriate.

General Categories of Misconduct	Examples of Sanctionable Acts:
ADMINISTRATIVE NON COMPLIANCE Use of title or holding out in public practice with a lapsed license/certificate Use of the CPA title by a CPA-Inactive certificateholder	<ul style="list-style-type: none">• License/certificate lapsed because the individual failed to file a license/certificate renewal.• License/certificate lapsed because the individual failed to notify the Board of a change of address, failed to receive their renewal application, and failed to file a license/certificate renewal.• The individual disregarded the lapsed license and continued to knowingly hold out with a lapsed license.• The individual discovered that their license/certificate lapsed and signed the reinstatement application stating that they did not use the title when the evidence demonstrates that they used the title.

General Categories of Misconduct	Examples of Sanctionable Acts:
	<ul style="list-style-type: none"> • CPA-Inactive who is a corporate CFO uses the CPA title in filing corporate documents with the SEC. • CPA-Inactive uses the CPA title to obtain a job in private industry. • CPA-Inactive who is also an attorney uses the CPA title when offering legal services to the public.
<p>CONSUMER/EMPLOYER HARM</p> <p>Embezzlement, fraud, dishonesty, or negligence</p> <p>Fiduciary malfeasance or breach of fiduciary duties</p> <p>Noncompliance with code of conduct including conflict of interest and confidentiality</p> <p>Failure to comply with a Board order</p> <p>Failure to respond to Board inquiry</p> <p>IRS/SEC sanction/denial of practice privilege</p>	<ul style="list-style-type: none"> • Theft from employer. • Felony obstruction of justice. • Theft of trust funds where the CPA was the trustee. • Manipulated a client's trust for the benefit of the CPA's child. • Manipulated a mentally impaired client for self-enrichment. • Failed to file personal tax returns and pay personal FIT. • Failed to transmit FICA and FIT withheld from employee's salary. • Failed to pay employer's portion of FICA. • Provided services to both the seller and the buyer during a business transaction without consent. • Provided services to both parties during a divorce without consent. • Failed to make restitution to injured parties as required by Board order. • Repeated non compliance with stipulated Board Orders. • Suspended from practice before the IRS due to substandard tax work. • SEC practice restriction and/or sanction due to fraudulent SEC filing. • SEC practice restriction and/or sanction due to substandard accounting practices.
<p>CONSUMER/EMPLOYER HARM</p> <p>Noncompliance with technical standards</p>	<ul style="list-style-type: none"> • CPA is referred to the Board by the SEC due to an audit failure as a result of the CPA performing substandard audit procedures. • CPA is referred to the Board by federal agencies due to failure to comply with <i>Yellow Book</i> standards. • Substandard tax work resulted in penalty to a tax client.

<p>CONSUMER/EMPLOYER HARM</p> <p>Failure to provide client records upon reasonable notice and request</p>	<ul style="list-style-type: none"> • Refused to return client records until the client paid the CPA's fees • Did not return multiple clients' records due to procrastination. • Did not return client records because the client terminated the relationship and obtained a new CPA.
<p>ADMINISTRATIVE NON-COMPLIANCE</p> <p>Acts and omissions in filing an application for reinstatement or renewal of a license, certificate, or registration</p> <p>Failure to comply with a Board approved CPE waiver request</p>	<ul style="list-style-type: none"> • Represented on the CPE audit form that CPE courses were obtained when evidence discloses that no or only a portion of the required CPE courses were taken. • Signed the reinstatement or renewal form under the penalty of perjury that the CPE requirements were met and the individual obtained only a portion of the required hours. • Signed the reinstatement or renewal form under the penalty of perjury that the CPE ethics requirements were met and the individual did not take the required ethics CPE.
<p>CONSUMER/EMPLOYER HARM</p> <p>Failed good character determination for initial licensure</p> <p>Cheating on CPA Exam</p>	<ul style="list-style-type: none"> • The good character review was at the request of the applicant who was found guilty of a felony 3 years ago. • The good character review as a result of the applicant's disclosure that 7 years prior they failed to file an income tax return and pay their tax obligation. • The good character review was the result of the prosecutor alerting the Board to the applicant's being charged with a felony. • Cheating observed by the exam proctor.
<p>CONSUMER/EMPLOYER HARM</p> <p>Use of title or holding out in public practice by a nonCPA</p>	<ul style="list-style-type: none"> • Used title after passing the exam but without a license. • Used title to intentionally defraud investors.

Effective: October 29, 2004

*Revised: April 26, 2012; April 25, 2011; October 17, 2008; April 28, 2006; January 28, 2005

DELEGATION OF AUTHORITY

BY THE

WASHINGTON STATE BOARD OF ACCOUNTANCY

I, EMILY R. ROLLINS, Chair of the Washington State Board of Accountancy ("Board"), acting under authorization by a vote of the Board, delegate to Richard C. Sweeney, Executive Director for the Board, the specific authority to:

- (a) sign, issue, and withdraw Statements of Charges and/or Statements of Intent to Deny that seek to suspend, revoke, reprimand, refuse to issue, reinstate, or renew a certificate or license, or otherwise discipline or impose a fine upon a certified public accountant, a certificate holder, a licensee, a licensed firm, an applicant, or a nonlicensee holding an ownership interest in a licensed firm; and
- (b) in making investigations concerning alleged violations of RCW 18.04 and in all proceedings under RCW 18.04.295, 18.04.305, or chapter 34.05 RCW, to issue subpoenas to compel the attendance of witnesses and require the production of documents, administer oaths or affirmations to witnesses appearing before the Board, take testimony, and require that documentary evidence be submitted; and
- (c) negotiate settlement proposals during investigations of alleged violations of RCW 18.04 or Board rules Title 4 WAC and in all proceedings under RCW 18.04.295, 18.04.305, or Chapter 34.05 RCW. Such proposals are subject to concurrence by a consulting Board member prior to submission to the Board for consideration.

This delegation shall remain in effect for so long as Richard C. Sweeney is the Executive Director for the Washington State Board of Accountancy.

This delegation is made pursuant to the authority of RCW 18.04.045, 18.04.295, and 18.04.305.

DATED this 1st day of May 2013.

Emily R. Rollins, CPA
EMILY R. ROLLINS, CPA
Chair, Washington State Board of Accountancy

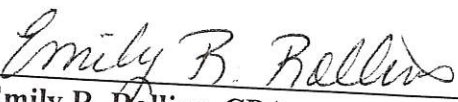
DELEGATION OF AUTHORITY BY THE WASHINGTON STATE BOARD OF ACCOUNTANCY

I, EMILY R. ROLLINS, Chair of the State of Washington Board of Accountancy ("Board"), acting under authorization by a vote of the Board, delegate to the Executive Director the specific authority to:

Issue Administrative Notices of Noncompliance and execute Respondent Agreements
Consenting to Administrative Sanctions including monetary sanctions in accordance with the guidelines in Appendix A attached hereto.

This delegation is made pursuant to the authority of RCW 18.04.045, RCW 18.04.305, and RCW 18.04.295.

DATED this 23rd day of April 2013.


Emily R. Rollins, CPA
Chair, Washington State Board of Accountancy

WASHINGTON STATE BOARD OF ACCOUNTANCY

Appendix A

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These guidelines will be used when (a) it is the first time an individual or firm has been notified of an alleged specific type of violation of the Public Accountancy Act or Board rule, (b) the alleged violation occurred during any period the individual or firm is or was subject to Board jurisdiction, and (c) sufficient evidence is obtained by investigation to merit Board action.

	Administrative Violation:	Board Approved Sanction:
1.	First noncommercial use of a restricted title on <i>Business Cards, Resumes</i> or other <i>Applications for Employment</i> in Washington state after establishing residency in this state but prior to obtaining credentialed status in Washington State, <i>Provided:</i> the individual did not use the title while a resident in conjunction with offering or rendering professional services.	Administrative Notice to Cease and Desist
2.	First-time use of a restricted title by an individual within the 18-month period following successful completion of the Uniform CPA Examination but who has not yet been credentialed by the Board	\$500 fine + cost recovery + submission of proof of completion of Board approved course in ethics and regulation in Washington State regulation applicable to the practice of public accounting to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.
3.	First-time use of a restricted title with a lapsed individual license or CPA-Inactive status. <i>Provided:</i> The individual did not use the CPA or CPA-Inactive title for more than 90 days after the date of transmittal by Board staff of a <i>Notice of Noncompliance</i> .	\$750 fine+ late fee + cost recovery to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.
4.	First time representation on a reinstatement application that the CPA title had not been used when in fact the title had been used.	\$750 fine+ late fee + cost recovery to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.
5.	First time failure to obtain a firm license by a Washington resident firm owned by one individual for more than 90 days after the date of transmittal by Board staff of a notice of noncompliance.	\$750 fine + cost recovery + submission of proof of completion of Board approved course in ethics and regulation in Washington State to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction..

WASHINGTON STATE BOARD OF ACCOUNTANCY

Appendix A

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6.	First-time failure to timely change either or both individual and/or firm addresses.	\$0-\$200 fine + cost recovery (unless the failure to timely change the address results in a more severe first-time administrative violation and sanction) to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.
7.	First-time failure by a firm to timely notify the Board of changes in the firm name, ownership, or managing licensee of the firm's main office after the date of transmittal by Board staff of a Notice of noncompliance..	\$500 fine + cost recovery to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.
8.	First-time CPE deficiency by a licensee, CPA-Inactive certificateholder, or nonCPA firm owner not exceeding 16 hours.	<p><u>Licensee:</u> Exclusive of the required 4 hour course addressing ethics and regulation in Washington State a sliding scale:</p> <p>\$250 fine for a deficiency up to and including 8 hours;</p> <p>\$500 fine for deficiency up to and including 16 hours;</p> <p>Additional (separate) \$500 fine if the deficiency includes or is limited to failure to complete the required 4-hour course addressing ethics and regulation in Washington State.</p> <p><u>CPA-Inactive Certificateholder or NonCPA firm owner:</u></p> <p>\$500 fine + cost recovery for failure to complete the required 4-hour course addressing ethics and regulation in Washington State</p> <p>All amounts assessed are to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</p>
9.	First-time misunderstanding of courses qualifying for the CPE in regulatory ethics specific to Washington State.	\$100 fine + cost recovery + submission of proof of completion of Board approved course in ethics and regulation in the state of Washington to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.

WASHINGTON STATE BOARD OF ACCOUNTANCY

Appendix A

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10.	First-time failure to meet CPE documentation requirements <u>determined by CPE audit</u> provided the documentation deficiency results from a cause or circumstance beyond the control of the credentialed person.	\$250 fine + cost recovery + submission of proof of completion of Board approved course in ethics and regulation in the state of Washington <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
11.	First-time use of titles likely to be confused with CPA, Certified Public Accountant, or CPA-Inactive by person never credentialed by this Board or not qualified for practice privileges pursuant to RCW 18.04.350(2).	\$1,500 fine + cost recovery + <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
12.	First-time failure to timely deliver records requested by a client as required by WAC 4-30-051, UNLESS the lack of "timely delivery" results in financial harm to the client by a state or federal regulatory agency or governmental unit.	\$1,500 fine + cost recovery + restitution for proven client costs incurred to reconstruct essential records incurred as a result of the lack of availability of such records + submission of proof of completion of Board approved course in ethics and regulation in the state of Washington <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction..</i>
13.	First-time failure to timely respond to a request for administrative information or documents directly related to information and/or documents specified in Board rules (Title 4 WAC).	\$1,500 fine + cost recovery + submission of proof of completion of Board approved course in Ethics and Regulation in the state of Washington <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>

If an individual or firm's conduct includes multiple first-time administration violations, the Executive Director is to impose the more severe first-time administrative sanction.

In cases of Administrative Sanction, the Board will not publish the individual's or firm's name; however, the Board will:

- Post statistics related to these sanctions on the Board's web site
- Comply with the Public Records Act.

Effective: April 28, 2006

Revised: Delegation and Appendix A Revised: January 26, 2012, by Board vote
 Appendix A Revised: July 14, 2011, by Board vote
 Delegation and Appendix A Revised: April 23, 2013, by Board vote

DELEGATION OF AUTHORITY BY THE WASHINGTON STATE BOARD OF ACCOUNTANCY

I, EMILY R. ROLLINS, Chair of the State of Washington Board of Accountancy ("Board"), acting under authorization by a vote of the Board, delegate the following specific authority:

1. **Quality Assurance Oversight** - To the Executive Director, with concurrence of one member of the Board's Quality Assurance Committee, the specific authority to take those actions deemed appropriate pursuant to the applicable section(s) of Title 4 WAC for any CPA firm:
 - That has unresolved matters relating to the peer review process or that has not complied with, or acted in disregard of the peer review requirements; and
 - When issues with a peer review may warrant further action.

To implement this delegation, the Executive Director may execute Respondent Agreements including one or any combination of the actions deemed appropriate after concurrence of the member of the Board's Quality Assurance Committee. These actions may include requiring the firm/practitioner to:

- Develop and implement quality control procedures to provide reasonable assurance that similar occurrences will not occur in the future;
- Engage a Board-approved licensee to conduct a Board-prescribed on-site field review of the firm's work product and practices to provide a more in-depth review of the practitioner's work, previously taken continuing professional education, library and other practice support tools, knowledge, abilities, and system of quality control;
- Submit all or specified categories of its compilation, audit, review, or other attest working papers and reports to a preapproved independent practitioner review prior to issuance; and/or
- Obtain continuing education courses in specific areas.

Uncooperative CPA firms or CPA firms requiring more than one oversight will be subject to investigation and appropriate Board action.

This delegation does not include matters that require Board action such as acceptance of voluntary practice restriction.

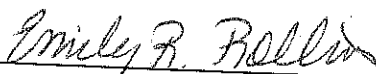
2. **Review of Publicly Available Professional Work** – To the Executive Director the specific authority to review publicly available professional work of licensees pursuant to RCW 18.04.045(8) and the applicable section of Title 4 WAC.

This delegation shall remain in effect until rescinded or modified by a majority vote of the Washington State Board of Accountancy.

The Executive Director will report all actions taken pursuant to this delegation of authority at each regular quarterly Board meeting to assist the Board in evaluating whether this delegation should be rescinded or modified.

This delegation is made pursuant to the authority of RCW 18.04.045.

DATED this 23 day of April 2013.



Emily R. Rollins, CPA
Chair, Washington State Board of Accountancy

DELEGATION OF AUTHORITY BY THE WASHINGTON STATE BOARD OF ACCOUNTANCY

Delegation Number: D-201

Dated: April 23, 2013

Delegation For: Authority to Conduct Investigations*

Delegation To: Director of Investigations

Approved:

Emily R. Rollins, CPA
Emily R. Rollins, CPA
Chair

I, EMILY R. ROLLINS, Chair of the Washington State Board of Accountancy ("Board"), acting under authorization of a vote of the Board, delegate to the Director of Investigations, the specific authority to:

Conduct investigations concerning alleged violations of the provisions of chapter 18.04 RCW and Title 4 WAC as directed by the Executive Director of the Washington State Board of Accountancy. This also includes specific authority to administer oaths or affirmations to witnesses, subpoena witnesses and compel their attendance, take testimony, and to require that documentary evidence be submitted in the course of the investigation of alleged violations of chapter 18.04 RCW and Title 4 WAC.

This delegation does not include the authority to extend confidentiality to any testimony or evidence.

This delegation shall remain in effect for so long as the Executive Director has designated a Director of Investigations for the Washington State Board of Accountancy to exercise this authority, and through any necessary testimony at administrative hearings, should same be held.

In the event that the Executive Director is recused or otherwise unable to exercise responsibility for investigations, enforcement, and settlement, the Board delegates authority to the Director of Investigations to assume those responsibilities including the authority to:

- (a) Sign, issue, and withdraw Statements of Charges and/or Statements of Intent to Deny that seek to suspend, revoke, reprimand, refuse to issue, reinstate, or renew a certificate or license, or otherwise discipline or impose a fine upon a certified public accountant, a certificate holder, a licensee, a licensed firm, an applicant, or a nonlicensee holding an ownership interest in a licensed firm; and

- (b) Negotiate settlement proposals during investigations of alleged violations of RCW 18.04 or Board rules Title 4 WAC and in all proceedings under RCW 18.04.295, 18.04.305, or chapter 34.05 RCW. Such proposals are subject to concurrence by a consulting Board member prior to submission to the Board for consideration. Settlement proposals negotiated under this authority are not binding on the Board or respondent until the settlement is accepted by a quorum vote of the Board.
- (c) Issue Administrative Notices of Noncompliance and execute Respondent Agreements Consenting to Administrative Sanctions including monetary sanctions in accordance with the Board's delegation to the Executive Director.

This delegation is made pursuant to the authority of RCW 18.04.045, 18.04.295 and 18.04.305.

WASHINGTON STATE BOARD OF ACCOUNTANCY

Unapproved Draft - Minutes of a Regular Meeting of the Board – Unapproved Draft

Time and Place of Meeting	9:02 am – 2:33 pm Thursday, April 17, 2014 Hilton Seattle Airport & Conference Center Orcas Meeting Room 17620 International Boulevard SeaTac, Washington
Attendance	Emily R. Rollins, CPA, Chair, Board Member Elizabeth D. Masnari, CPA, Secretary, Board Member Donald F. Aubrey, CPA, Board Member Robert G. Hutchins, Public Board Member Lauren C. Jassny, Public Board Member Edwin G. Jolicoeur, CPA, Board Member Thomas G. Neill, CPA, Board Member Gerald F. Ryles, Public Board Member (Arrived 9:10 am) Bruce L. Turcott, Assistant Attorney General, Board Adviser (Arrived 9:10 am) Richard C. Sweeney, CPA, Executive Director Jennifer Sciba, Deputy Director Charles E. Satterlund, CPA, Director of Investigations (Arrived 9:10 am) Lori Mickelson, Management Analyst Taylor Shahon, Special Assistant to the Director of Investigations (Arrived 9:10 am) Kirsten Donovan, Board Clerk
Call to Order	Board Chair, Emily Rollins, called the regular meeting of the Board to order at 9:02 am. The Board Chair excused the absence of Karen R. Saunders, CPA, Vice Chair, Board Member.
Minutes – January 31, 2014 Regular Board Meeting	The Board approved the minutes of the January 31, 2014 Board meeting as presented.
Board Policies – Annual Review	The Board completed its annual review of all Board policies. The Board voted to retain the following policies with no revisions: <ul style="list-style-type: none">• 2000-1 Continuing Professional Education and Licensing Requirements• 2002-2 Expert Witness Services• 2002-4 International Reciprocity

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- 2003-1 Safe Harbor Report Language for Use by Non-CPAs
- 2004-1 Sanction and Penalty Guidelines
- 2012-1 Social Media

The Board voted to retain the following policies with the proposed and additional revisions:

- 2002-1 Substantial Equivalency Jurisdictions

The Board voted to amend the policy to add "or jurisdictions" to Sections I and IV.

- 2004-2 Exam Applicant Disability Documentation and Testing Modification Guidelines

The Executive Director proposed that the Board amend the policy to eliminate an authorized designee for purposes of preapproving denials for accommodations. Only the Executive Director will have the authority to preapprove denials for accommodations.

- 2011-1 Principles Underlying Board Rules

The Executive Director proposed that the Board amend Policy 2011-1 to eliminate the reference to the former rule.

- 2011-2 Interim Policy Guidelines Pending Rule Changes

The Executive Director proposed that the Board amend the policy to eliminate the portion of the policy that was automatically superseded by the change to WAC 4-30-134(8), self-reported deficiencies. The rule change incorporated that portion of the policy.

Additionally the Board voted to amend the policy to add "of the renewal year" to Section I.

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Delegations of Authority

The Board voted to retain the following delegations with no revisions:

- Charges, Subpoenas, Negotiate Settlement – *Delegated to Executive Director, Richard C. Sweeney*
- Administrative Notices of Non-Compliance/Administrative Sanctions - *Delegated to the Executive Director*
- CPE Waiver Extension Requests/Request Review Committee
 - *Delegated to Executive Director:* CPE Waiver Extension Requests due to individual hardship, including but not limited to, financial hardship, critical illness, or active military deployment for up to 16 credit hours.
 - *Delegated to Executive Director with Concurrence of a Board member:*
 - CPE Waiver Extension Requests due to individual hardship, including but not limited to, financial hardship, critical illness, or active military deployment over 16 credit hours
 - Firm Names
 - Professional/Education Organization Recognition Requests
 - Late Fee Waiver Requests where individual hardship is a factor
 - Domestic or foreign education credential evaluation services
 - *Delegated to one member of the Request Review Committee:* Appeal of Denials of Request for Lists of Individuals
- Authority to Conduct Investigations – *Delegated to the Director of Investigations*
- Quality Assurance Oversight/Review of Publicly Available Professional Work
 - *Delegated to the Executive Director with concurrence of one Board member:* Quality Assurance Oversight
 - *Delegated to the Executive Director:* Review of publicly available professional work.

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Rules Review

WAC 4-30-130 What are the quality assurance review (QAR) requirements for licensed CPA firms?

The Executive Director presented a CR-102 draft and led a discussion on the proposed rule change. The change will include the Board initiating a monitoring process beginning on the 31st day after the reviewed firm is notified by the peer reviewer that such person is proposing a grade of pass with deficiency or fail.

The Board directed staff to complete minor edits, file the CR-102 with the Office of the Code Reviser, and schedule a public rule-hearing in conjunction with the Board's July meeting.

2014 Proposed Rule Re: Military Personnel and Spouses

The Executive Director presented a draft and led a discussion on the proposed new rule.

The Board directed staff to edit the proposed rule and file the CR-101 with the Office of the Code Reviser for review at the Board's July meeting.

NASBA Update

Don Aubrey, CPA, Pacific Regional Director for the National Association of State Boards of Accountancy (NASBA), reported on the following NASBA activities.

- Don will be attending the NASBA quarterly meeting by phone conference next week.
- The regional conference will be held in St. Louis in June.
- The national conference will be held in Washington DC in October.

Jennifer Sciba, Deputy Director, reported that she and Lori Mickelson will be going to the NASBA home office in Nashville next week. Topics of discussion will include:

- Education requirements.
- NIES education evaluations.
- Record retention.
- Pre-evaluation of education.
- NASBA procedure review.

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**Legal Counsel's
Report**

Bruce Turcott, the Board's legal counsel, reported on:

- The new Open Government Training Bill which requires Board Members to complete an online course once every four years on the Open Public Meetings Act.
- A new rule in draft from the Office of Administrative Hearings which could impact the Board of Accountancy. The proposed rule concerns barriers for individuals with disabilities at administrative hearings. If the rule is adopted, the cost of the attorney for an individual with a disability may have to be absorbed by the Board. The Executive Director indicated that he would attend the rules hearing.

Chair's Report

The Board Chair combined this report with the Executive Committee report.

Executive Committee

The Board Officers met with the Executive Director via telephone on April 4, 2014. The Chair reported that the following topics were discussed:

- The Board meeting agenda.
- Continued monitoring of the issues surrounding CPAs and the marijuana industry. The Executive Director is researching the issue and intends on having a report for the July Board meeting.
- Board member terms and potential Board candidates. The Governor's Office states a need for geographic and ethnic diversity.

**Compliance
Assurance Oversight
Committee**

Edwin Jolicoeur had nothing to report.

**Legislative Liaison
Committee**

Don Aubrey had nothing to report.

**Quality Assurance
Committee**

Tom Neill had nothing to report.

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**Request Review
Committee**

Emily Rollins reported:

Firm Names: Approved:

Sutherland Tax PLLC
Bean Counter Accounting, Inc.
Chambers & Co, P.C. DBA Chambers & Hammock,
CPA, P.C.
Rainer Merchant Services
Day Yang & Company PLLC (Cost Sharing Partnership)
TKCPA PLLC
Vonderharr Wagner Associates, LLC
Kroschel Accounting Services, PLLC
Marcum LLP
Arkley Accounting Group
Pyramid San Juan Islands PLLC
GlobalTaxHelp LLC

Professional/Educational Organization - Recognition

Requests: During the 1st quarter 2014, the Board approved Web CPE as an educational organization or professional association for purposes of obtaining a list of individual CPAs.

Domestic or Foreign Education Credential Evaluation

Services – Applications: During the 1st quarter 2014, the Board did not receive any requests for recognition of domestic or international education credential evaluation services.

**State Ethics
Compliance
Committee**

Lauren Jassny had nothing to report.

**Qualifications
Committee**

Tom Neill had nothing to report.

**Executive Director
Evaluation and
Succession Task
Force**

Executive Director Evaluation: Robert Hutchins reported that it has yet to be determined if the results will be made public. The overall marks were very good and uniform across all those surveyed.

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Succession Task Force: Robert Hutchins recommended the following actions:

- Appoint a standing Succession Committee.
- Start the selection process for nominees early.
- Consider developing candidates from within the Board and agency.
- Narrow the nominee field to no more than 3 finalists.
- Prepare a formal report and recommendation for the Governor's Office.
- Review the succession plan annually and revise it when necessary.

Executive Director's Report

Fraudulent International Education Issue Update:

Jennifer Sciba, Deputy Director provided the Board with an update on NASBA's actions concerning Exam candidates with fraudulent transcripts.

The Executive Director advised that he will be responsible for the follow-up on individuals who were already licensed and for possible action against the instructor.

WA Ethics Requirement for Initial License Applications:

The Executive Director reported that the course is being rewritten by an outside the agency CPE course sponsor after receiving negative feedback.

2015 Legislative Budget Information: The Executive Director reported that the 2015 legislative budget will likely cause the Board's fund balance to be swept.

WBOA Legislative Strategy: The Executive Director reported on the following topics:

- Fund balance sweep.
- CPA (Canada)
- Firm Mobility
- Possible revisions to definitions contained in the RCW and WAC.
- Accountants from foreign countries and possible

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changes to licensing requirements.

- CPAs performing Forensic Services and the marketplace sentiment to require licensees to also maintain a Private Investigator license.
- The need to delete the QAR definition from the RCW, as it is no longer necessary.

Staffing: The Executive Director reported that Lisa, Zolman, Director of IT and Data Communications, has accepted a job with a different state agency and will be leaving effective May 1, 2014.

The hiring process to fill the vacancy has begun.

**NASBA Pacific
Regional Director**

Don Aubrey reported that he will not resubmit to serve a third year as the NASBA Pacific Regional Director. The Board voted to submit a formal nomination to NASBA in support of Ed Jolicoeur for the position.

**Board Member not
Seeking Re-
nomination**

The Board Chair reported that Robert Hutchins will not seek re-nomination to the Board when his term expires June 30, 2014. Emily thanked Bob for his years of service.

The Executive Director thanked Bob for his years of service and presented him with a plaque.

Bob stated that he always will remember and appreciate the opportunity to serve the Board.

The Governor's office is looking for a replacement from Eastern Washington.

**Review of Dismissed
Cases**

Elizabeth Masnari reported on the second quarter review of dismissed cases. Elizabeth reviewed approximately 20 cases on April 15, 2014.

**Director of
Investigations Report**

Investigation Statistics/Investigations & Administrative Sanctions: Charles Satterlund, CPA, Director of Investigations provided the following reports to the Board:

- Enforcement: Broad Overview.
- Caseload Status Report for the period ended March

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31, 2014.

- Investigations Statistics through March 31, 2014

Charles reported on international investigations including his and Enforcement Administrator, Tia Landry's, recent trip to Canada.

Charles reported on the following upcoming issues:

- Comfort letters.
- Non-CPA firms with CPAs working for them.
- Legalized marijuana industry.

**Executive and/or
Closed Session with
Legal Counsel**

No executive or closed sessions with legal counsel held.

Public Input

The Board received input from representatives of the WSCPA throughout the meeting.

Jim Rigos of Rigos Professional Education Programs submitted three ethics courses for review and approval for the 4-hour Board approved Washington State Ethics CPE course requirement. Mr. Rigos requested specific feedback if the courses were not approved in the following two areas:

- Where is the course falling short?
- How can any perceived defects in the course be fixed?

The Executive Director will review the courses and provide feedback.

Adjournment

The Board meeting adjourned at 2:33 pm.



Draft Datasheet

May 2014

Regulating Public and Professional Accounting in British Columbia and Washington

Introduction

The accounting profession in Canada is in the process of unifying under the new Chartered Professional Accountant (CPA) designation. Historically, there were three distinct Canadian accounting designations, CA, CGA, and CMA. However over 120,000 Canadian designated accountants are now legally authorized to use the CPA designation in Canada and when unification is complete there will be approaching 200,000 Canadian CPAs who will be members of their Provincial CPA body as well as the Chartered Professional Accountants of Canada (CPAC).

The Certified Public Accountant (CPA) designation is the dominant accounting designation in the United States and the regulatory bodies, the State Boards of Accountancy, collectively have approximately 900,000 registrants. The US CPA Exam is jointly administered with the American Institute of Certified Public Accountants (AICPA).

The US and Canadian economies is highly integrated with significant flows of trade and investment between the two countries. The two countries are partners with Mexico, in the North American Free Trade Agreement (NAFTA) as well as numerous other economic and trade initiatives intended to facilitate economic activity and growth.

The US and Canadian CPA designations are both controlled by professional bodies established by legislation. In the United States, each State has a State Board of Accountancy while in Canada, there will be a professional CPA body in each Province and Territory. There are legislative prohibitions or restrictions on the use of CPA by designees from another jurisdiction in every US and Canadian jurisdiction.

CPA holders generally qualify and then register and work in their jurisdiction of residence. Some will have opportunities to relocate to another jurisdiction, others will find opportunities to work in another jurisdiction temporarily, and some may just be out of their home jurisdiction for short assignments or meetings or even personal non business activities. Technology also facilitates opportunities for work outside the home jurisdiction without physically leaving it.

In the profession there is probably a general understanding that if you relocate, you will register locally. Within each country, the national final exams for the designations, facilitate easy access to registration in jurisdictions within the country.

Across the border, the US and Canadian (CA) professions have a Mutual Recognition Agreement (MRA – actually a tri-partite agreement under NAFTA that also includes Mexico),

which facilitates access to the local designation. This agreement recognizes the "substantial equivalency" of the qualifications including the education, examination and experience requirements of the respective qualification processes.

The relationship is negotiated and overseen through an AICPA/NASBA joint board, the International Qualifications Appraisal Board (IQAB), and the CPAC International Qualifications Appraisal Board. There is also a long history of co-operation between the two IQABs in relation to other global accounting bodies.

Historically, the differences in nomenclature have meant that there has not been a risk of a consumer believing that a designation is regulated locally. However, now that the nomenclature of the dominant designation is the same on both sides of the border, the potential for consumer misinterpretation is there, and the three national professional bodies on both sides of the border have begun a dialogue as to what steps might be taken to:

1. Protect the public;
2. Reduce confusion;
3. Provide members/registrants with guidance to ensure they do not inadvertently break any laws or rules.

To date, this has led to an article being published in the Canadian professional journal in September 2013 offering advice to members. The article highlighted the risks of inappropriate use of a designation outside of your own jurisdiction. We understand that a similar article is scheduled for publication in the Journal of Accountancy shortly.

It should also be noted that in the United States the issue of professional mobility and regulation has been dealt with through the mobility sections of the Uniform Accounting Act (UAA) which is now enacted in every jurisdiction except Hawaii. This ensures:

1. no notice, a registrant does not have to register or give notice to the State Board to work in any jurisdiction;
2. no fee, there is no fee payable to the local jurisdiction;
3. no escape. The registrant cannot avoid regulatory oversight from the jurisdiction in which they do any work because they aren't registered.

In Canada, while there is no similar formal regime, the professional regulators do co-operate across borders and members often face discipline in relation of acts committed outside of the jurisdiction.

A US/Canada Working Group has been discussing these matters and considering appropriate steps that might be taken. The participants are:

AICPA: Barry Melanson, Sue Coffey and Mat Young;
NASBA: Ken Bishop, Colleen Conrad and Dan Dustin;
CPAC: Kevin Dancey, Richard Rees and Gary Hannaford.

BC and Washington

The State of Washington and the Province of British Columbia have significant economic ties and politically there is significant co-operation across the border on economic issues. The

professional accounting bodies in BC and Washington (Washington State Board of Accountancy (WSBA), Washington State CPA Society (WSCPAS) and Chartered Professional Accountants of BC (CPABC)) have enjoyed a co-operative relationship for many years. There have been occasional minor regulatory matters that they have been able to work together on and resolve.

The respective CEOs have known each other for some time. As a result of this, some dialogue was initiated regarding the implications of the emergence of the Canadian CPA designation in a BC Washington context. It has been noted that it is possible that accounting legislation in each jurisdiction might be opened up in the next couple of years and it was considered appropriate that we dialogue as to whether there might be any legislative components to a mutual desire to fulfill our respective mandates on both sides of the border.

This led to a meeting between Rick Sweeney of WSBA and Richard Rees and Jan Sampson of CPABC to consider how we might approach the issues. At this meeting, the following outline for a potential BC Washington Memorandum of Understanding was drafted. It was agreed that the concept should be presented to the respective Boards for endorsement. Subject to that endorsement, each party would allocate resources to actively develop a proposal for an MOU. It was hoped that such a process could take place over the summer of 2014 and be presented to the respective Boards for input in the Fall of 2014.

As a member of the national working group, Richard Rees gave that group an informal update on May 12th 2014. Given the potential significance of this project, the respective national bodies all indicated that they would be pleased to get involved and provide assistance to the process. If the Boards endorse proceeding with the initiative, we would invite their participation in the discussions.

The endorsement of the respective Boards for this project is respectfully requested.

Richard Rees
CEO
CPABC

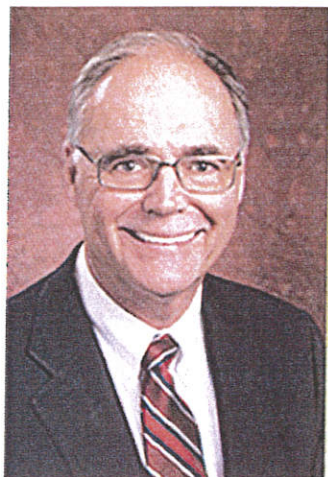
Rick Sweeney
CEO
WSBA

Meeting Notes from a May 7th Meeting between WSBA and CPABC in Vancouver, BC

Key elements of a potential BC Washington MOU on regulatory co-operation:

- Fundamental principle WSBA and CPABC are regulatory bodies for public accounting in their respective jurisdictions and want to ensure that the public is protected by ensuring that if a member is working in either jurisdiction, they are appropriately regulated. This would require that the member register if they are going to do work across the border.
- The two bodies wish to make a mutual commitment to achieve this goal:
 - o Each body will respect the legislative framework of the other.
 - o Each body will promote cross border registration when doing work outside of the home jurisdiction.
 - o Each body needs to create an ability to identify mutual registrants
 - o Each body needs to create an ability for consumers of public accounting to identify whether a public accountant is registered (eg ... cpaverify)
 - o Each body will, to the extent permitted by legislation, commit to inform the other body when an investigation is being considered (after assessment of dismissals)
 - o When one body comes to a significant finding, the other body would commit to take appropriate action (eg – if disciplined, upon notification, and if it would cause a consequence under the reciprocal body's legislation).
 - o When one body's sanctions include publication concerning activities in the other jurisdiction, the bodies will cooperate on publication in both jurisdictions.
 - o Where a body identifies a member/registrant in one jurisdiction who is not appropriately registered in the other jurisdiction, commit to cooperate in getting the member/registrant to comply with the requirements of both jurisdictions
 - o Where a body identifies a member/registrant of one jurisdiction who should be but is not appropriately registered in the other jurisdiction, and an investigation is warranted, the body with whom the member/registrant is registered commits to undertake the appropriate investigation, to the extent permitted by legislation
 - o When one body is investigating a member/registrant who is operating in both jurisdictions, the bodies commit to cooperate in the investigation to the extent permitted by legislation
 - o Undertake a periodic review of the MOU

Using your Canadian CPA designation in the United States



Kevin J. Dancey, FCPA, FCA,
president and CEO of CPA Canada

I have been asked for clarification on how the new Canadian CPA designation should be used in the US, both by members who already have their CPA designation and others who will have their CPA as soon as unification discussions move to implementation. For those working in the US or doing work with US clients, there are a few regulations by which we need to abide.

Under the US and Canadian constitutions, professions are regulated under state or provincial jurisdiction. Legislation is in place in every US state and either is or will be in place in every Canadian province authorizing the use of the respective CPA designations and, in most cases, restricting the use of the designation to holders registered or licensed in that jurisdiction. Indeed, the concept of "holding out," i.e., that you use or display a designation and in doing so imply you are registered or licensed in a jurisdiction when you are not, is viewed very negatively by state and provincial regulators. Accordingly, members who intend to provide services in the US or for US clients, and particularly if they intend to provide attest services or practise public accounting and sign reports or filings, must understand the requirements in the US state where they intend to work if they wish to use their Canadian CPA designation. Members should also note that the restrictions in most US states also apply to some legacy designations, such as chartered accountant, or CA. However, attention to the issue will be heightened with the use of CPA initials.

Accordingly, members should contact the local CPA state board to understand any requirements if they are planning to provide professional services in a US state. All CPA state regulators can be reached through NASBA at <http://nasba.org/stateboards/>.

For most members, however, using the new CPA designation should be very simple. If you live, work and are registered in one province, have limited travel outside that jurisdiction, and do not take on any regulated work such as practising public accounting outside your home jurisdiction, it should be business as usual, except that your new Canadian CPA designation should be used in conjunction with the tagging provisions established in your province. For example:

John Doe, CPA, CA
or
John Doe, CPA, CMA
or
John Doe, CPA, CGA.

Some members, however, may have a role in which they have extensive interaction and/or travel to the US and will be engaging in providing services in the US or for US clients. In these circumstances, it may be difficult to explain that the Canadian CPA initials do not represent the US designation.

In such cases, members should definitely contact the local CPA state board to understand any requirements if work is to be undertaken in that state or for clients in that state.

Members should also consider alternative ways of presenting their credentials on cards and written communications so it is clear that the CPA designation is a Canadian designation. For example:

Jane Doe CPA (Province of Residence), CA (or CMA or CGA)

or

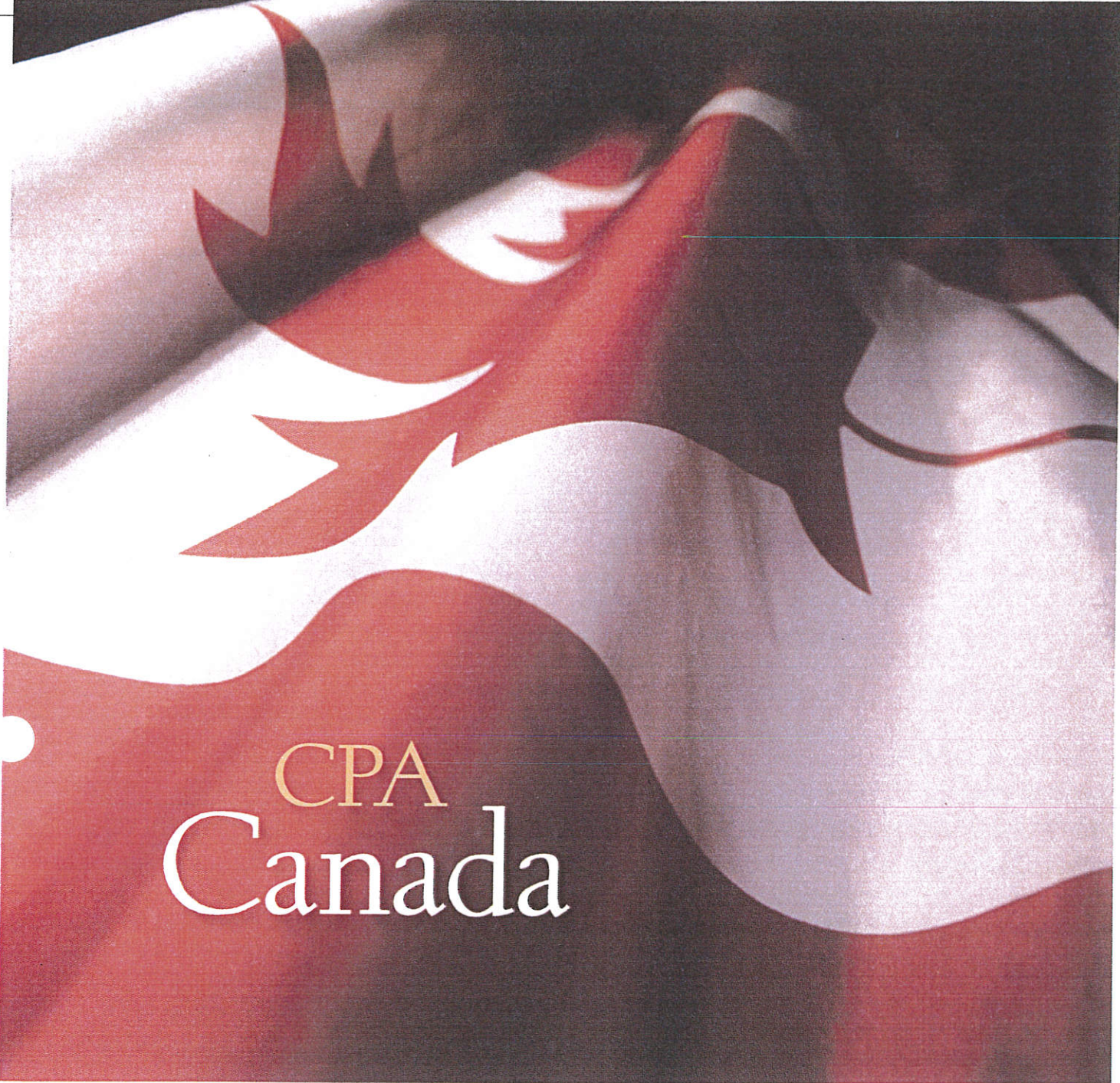
**Jane Doe, CPA (Chartered Professional Accountant,
Province of Residence), CA (or CMA or CGA).**

This expanded format should also be considered if a member is signing a document that is being filed or used in the US or identifying him- or herself in a speech or presentation.

Going forward, we will be working closely with our US and provincial colleagues on a number of important issues, such as facilitating mobility of members and how a US CPA travelling or working in Canada should display his or her US CPA designation in Canada.

We will also be working with the provincial bodies on a number of CPA usage issues, including plans to move to a uniform approach for the way a Canadian CPA should display his or her US CPA designation on business cards.

In the meantime, following the above guidance should ensure that a member working or providing professional services in the US has transparently disclosed where he or she is registered and regulated. **Ultimately, however, it is each member's responsibility to ensure that he or she represents his or her credentials appropriately and in accordance with the law in the relevant jurisdiction.**



CPA Canada

Frequently asked
questions on Canada's
accounting profession
consolidation
by Mat Young

Canada's accounting profession is undergoing a radical transformation. Less than three years ago, three accounting credentials operated across the nation's provinces and territories—the Chartered Accountants (CAs), the Certified Management Accountants (CMAs), and the certified general accountants (CGAs). Since then, merger talks among the three have progressed in great leaps, periodic setbacks, and incremental steps. The undertaking has been ambitious and complicated, and the prospects for full unification have often seemed uncertain, but the process is nearing its successful end with the recent launch of a new, single designation, the Chartered Professional Accountant (CPA).

PHOTO BY DIGITAL VISION/PHOTODISC/THINKSTOCK



PROFESSIONAL ISSUES/INTERNATIONAL

The merger raises important questions about how the profession identifies itself, how it interacts with the public, and how it interacts not only with the United States but also with the rest of the world. Here are answers to some common questions about the initiative.

Q. Why is the new, single designation called CPA?

A. Increasingly, two accounting abbreviations, CA and CPA, are recognized as premier designations around the world, even if CAs and CPAs are not exactly the same from one country to another. Indeed, the CPA abbreviation is currently used in countries as diverse as Australia, China, Israel, and Japan, while the CA term is employed in places such as England, India, Pakistan, Scotland, and South Africa.

Moving to CPA, which is synonymous with the U.S. certified public accountant designation, was obvious, said Kevin Dancey, president and CEO of CPA Canada.

"We knew we couldn't unify under one of the legacy designations; that would entail one of the bodies keeping its designation while the other two bodies would be giving up their designations. To be successful, we knew no one should be obligated to either give up or give away their designation," he said. In selecting Chartered Professional Accountant, which must be used in conjunction with the legacy designation for 10 years, Dancey added, "Everyone got to keep their legacy designations, and everyone will get a new CPA designation."

Q. Does the new designation cause confusion?

A. Between the United States and Canada, a common CPA brand presents potential future opportunities, but it also presents significant challenges. First and foremost, there is the question of when Canadian CPAs and U.S. CPAs can use their credential across the border. It's unclear when "holding out" (identifying oneself as a credential holder) is currently permissible, since all state and provincial laws explicitly prohibit the use of creden-

tials that may be confused with their regulated domestic credential in that state or province. With the U.S. and Canadian economies tightly integrated and the flow of people and services common across the border, profession leaders have begun to ask, "What exactly is appropriate?"

Ken Bishop, the president and CEO of the National Association of State Boards of Accountancy (NASBA), frames the situation this way: "With Canada transitioning from CA to the CPA, some state boards of accountancy are assessing the risk of public confusion with the U.S. CPA credential. I am hopeful that we will develop a common-

"I would like to see a movement toward simple, common-sense guidance" on the use of CPA in Canada and the United States—Barry Melancon, AICPA president and CEO

sense solution that will allow appropriate visitor use of the CPA credential on both sides of the border, for social and other non-practice situations, and that will keep practitioners out of harm while protecting the consumer public. I am confident that we can achieve this in a timely way."

Q. How can confusion about Canadian and U.S. CPA designations be avoided?

A. Permitting the handing out of a business card or being identified as a CPA at a conference may be a reasonable accommodation to most observers, but other situations are less clear. Laws and regulations may need updating to allow for such leeway. In addition, other more complex questions will begin to percolate up to regulators. For example, could a person identify himself or herself as holding the foreign CPA credential when seeking a job across the border, as a member of the senior leadership of a publicly traded company, or, perhaps, when offering nonaudit services, such as tax preparation, via the internet? Along with the question of "May they?" the subsequent question for regulators will be, "Should they be allowed, and what best protects the public while acknowledging

the unique and close relationship of the two countries, their people, and their economies?"

AICPA President and CEO Barry Melancon argues that an ideal near-term outcome would be some sort of consistency and guidance. "What we don't want is for CPAs—Canadian or American—to be put in situations where they are inadvertently violating the laws of various states and provinces when identifying themselves with their credential. I would like to see a movement toward simple, common-sense guidance that reflects that there are many U.S. CPAs living and working in Canada and

there are also many Canadian CPAs living and working in the U.S. That is not going to change, and the sharing of talent is a good thing for our two countries."

Dancey concurs with Melancon. "Common-sense guidance that is agreed to by all would be a great first step," he said. "It would be very disruptive for states and provinces to develop inconsistent, ad hoc approaches to this issue."

Nonetheless, while profession leaders begin to think about these issues and try to formulate uniform policy suggestions for state and provincial regulators, CPAs on both sides of the border are advised to do their own due diligence. They are responsible for understanding the laws and regulations of any state or province in which they are working or visiting and must also comply with any limitations or restrictions on the practice of accounting or "holding out" with their credentials. When in doubt, they should contact state or provincial regulators directly for guidance or seek the advice of professional legal counsel.

Q. How far along is the merger of the three Canadian accounting designations?

A. Like the United States' system of state-

PROFESSIONAL ISSUES/INTERNATIONAL

based regulation, Canada's accounting profession is regulated at the provincial level. The decision to merge the organizations and seek passage of the necessary legislation required the approval of the three accounting groups through each of their provincial, territorial, and national organizations—a total of 40 professional member groups—and subsequently will need the passage of provincial and territorial bills to complete the process.

Quebec was the first province to move on the concept in 2011. Shortly thereafter, in January 2012, the three national organizations, the Canadian Institute of Chartered Accountants (CICA), the Certified

Management Accountants of Canada (CMA Canada), and the Certified General Accountants Association of Canada (CGA-Canada), announced a proposed framework for uniting the nation's accounting profession. The underlying premise being that, in light of globalization, such a move would best position the profession for the future. More specifically, the public interest would be better protected, a single designation would be more competitive globally, and the profession would be healthier and better regulated.

"We knew we could be more effective and more efficient than we were, and we knew unification was the way to get there," Dancey said.

With the multiple merger votes among the provincial accounting groups having positively wrapped up across almost the entire country, enacting legislation is now moving forward in the various provinces, and Canadian accountants are already starting to use their new credential as legislation and regulations permit.

Q. What are the key challenges going forward?

A. Navigating a new relationship with the United States is not all that awaits the new Canadian CPA profession. Organizational mergers and the passage of provincial legislation are just the first steps of many important milestones ahead. The profession must also now educate the Canadian public and the business community about the new credential—a campaign that is naturally only in its infancy. And the national and provincial leaders may look to the United States for a road map on the question of domestic "cross-border mobility." Over the last eight years, the AICPA, NASBA, state CPA societies, state boards of accountancy, and individual CPAs and their firms have worked to pass "mobility laws" in 49 states and the District of Columbia. These laws allow a CPA license in one state to act much like a driver's license, which can be brought into another state for temporary practice. The Canadian system of provincial regulation does not yet allow for interprovincial mobility on this

scale. Canadian accountants must currently join the provincial organization in each province in which they wish to practice. Moving toward a mobility regime may prove a critical step in building the long-term type of profession that profession leaders envisioned when they first formulated the Canadian CPA concept and then announced their framework for unification.

Other cross-border issues are likely to grow over time. While the number of individuals holding a Canadian and a U.S. CPA designation is not large, there is currently no standard mechanism for state and provincial regulators to share with one another actions taken against CPA credential holders for wrongdoing. This creates a risk to the public in both countries. Other issues will include the upcoming renewal of the tripartite U.S./Canada/Mexico mutual recognition agreement (MRA), which creates a pathway for U.S. CPAs to obtain a Canadian CPA designation and vice versa, and the emergence of new opportunities for cooperation and collaboration among professional organizations and regulators.

One recently announced area of mutual cooperation was an agreement between CPA Canada and the AICPA, which would give Canadian CPAs access to a broad portfolio of specialized materials through the AICPA Information Management and Technology Assurance Section as well as its Forensic and Valuation Services Section. CPA Canada members will be able to join those sections and will have the opportunity to obtain two credentials—Certified in Financial Forensics (CFF) and Certified Information Technology Professional (CITP). Previously, those credentials had been limited to AICPA members. ♦

Mat Young (myoung@aicpa.org) is AICPA vice president—State Regulatory & Legislative Affairs.

To comment on this article or to suggest an idea for another article, contact Sabine Vollmer, senior editor, at svollmer@aicpa.org or 919-402-2304.

AICPA RESOURCES

JofA articles

■ "AICPA, CPA Canada to Collaborate in Forensics, Technology Advisory Services," Feb. 21, 2014, tinyurl.com/l8aw8b8

■ "Global Mobility: U.S. CPA Credentials Travel Around the World," July 2013, page 46

■ "AICPA Council Votes to Offer Specialized Credentials Globally," May 20, 2013, tinyurl.com/o3usuye

Use journalofaccountancy.com to find past articles. In the search box, click "Open Advanced Search" and then search by title.

Conference

■ Advanced PFP Conference, "Management of Financial Affairs for U.S. Citizens Abroad," Jan. 19–21, Las Vegas

For more information or to make a purchase or register, go to cpa2biz.com or call the Institute at 888-777-7077.

Website

PCPS International Services Center

The Private Companies Practice Section (PCPS) International Services Center provides practical information, guidance, and tools to help CPA firms achieve their goal of obtaining and retaining clients that have international service needs and aspirations. PCPS members can sign in to the International Services Center at tinyurl.com/p6qkxcj.



STATE OF WASHINGTON
BOARD OF ACCOUNTANCY

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(360) 753-2585 • FAX (360) 664-9190 • www.cpaboard.wa.gov

July 11, 2014

Nelson K.M. Lau, CPA, Chairperson
Hawaii Board of Public Accountancy
DCCA-PVL
ATTN: Acct.
P.O. Box 3469
Honolulu, HI 96801
accountancy@dcca.hawaii.gov

Re: Hawaii Mobility Legislation

Dear Mr. Lau:

On behalf of the Washington State Board of Accountancy, we would like to inquire into your Board of Accountancy's expectations for the adoption of CPA mobility in Hawaii and express our continued support for your efforts to join the extensive US mobility system. Already, forty-nine states, the District of Columbia and US Virgin Islands have adopted mobility while it's our understanding that the remaining US territories - Puerto Rico, Guam and the Northern Mariana Islands - are likely to adopt it within the next year. I would like to provide background on our own experience in adopting mobility and the benefits we believe have been created for our licensees and consumers.

In 2008, Governor Gregoire signed into law a bill establishing substantial equivalency for nonresident CPAs, also known as "mobility legislation." Our law allows any CPA with a valid CPA license from a substantially equivalent state automatic practice privileges in Washington. Passage was prompted by a desire to strengthen our Board's oversight jurisdiction, maximize choice, minimize the cost of CPA services for our consumers, and reduce obstacles for practitioners.

As with other states, because of the passage of mobility, our Board has full and automatic jurisdiction over non-resident CPAs who enter our jurisdiction. Non-resident CPAs are deemed to consent to the personal and subject matter jurisdiction of our state board by practicing in this state.¹ Thus, if a CPA from Hawaii provides services in Washington and engages in misconduct, that CPA may be disciplined by the Washington State Board of Accountancy, which can impose any sanction that it could impose on one of its own licensees. The CPA also remains subject to discipline by the Hawaii Board.

Conducting business across state borders has become an everyday occurrence. Our Board is committed to ensuring a licensing and practice system that first and foremost protects our consumers while also promoting an environment where Washington businesses can receive the

¹ See, e.g., Rev. Code Wash. §§ 18.04.345; 18.04.350



Nelson K.M. Lau, CPA, Chairperson
July 11, 2014
Page 2

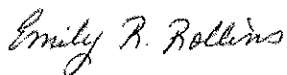
services they need to compete in the marketplace. Our mobility system enables Washington consumers to choose whatever CPA is most qualified for their particular engagement. While the CPA's location is not an obstacle to our consumers, in the case of an urgent consultation in Hawaii, consumers and businesses are often limited to the services of an in-state CPA because of the current licensing system, even though that CPA may be less qualified for the particular engagement.

In taking action to bring CPA mobility to Washington, our legislature recognized changing the law would remove roadblocks to the timely provision of audit services by out of state CPAs. Additionally, the law would make the playing field even for Washington CPAs and eliminate the possibility of retaliatory action by other states. As a result, licensed CPAs from all states, including Hawaii, now enjoy the ability to enter Washington and meet the needs of their clients without facing regulatory obstacles.

We understand that in the past, the Hawaii Board has supported the adoption of mobility to bring the state into union with the forty-nine other states and the District of Columbia (and likely soon, the remaining US territories). A CPA mobility system will be most effective if all states and territories adopt the provision. Not only would our own CPAs and consumers benefit from Hawaii joining the mobility ranks, but as we have suggested above, we believe Hawaii CPAs and consumers would strongly benefit as well.

Thank you for your time and attention to this matter. We look forward to hearing about your plans regarding Hawaii's CPA licensing system. Please let us know if we can be of any assistance in this important endeavor, including sharing our own experiences in implementing and carrying out a mobility system.

Sincerely,



Emily Rollins, CPA, President
Washington State Board of Accountancy



Karen Saunders, CPA, Vice Chair
Washington State Board of Accountancy



Elizabeth Masnari, CPA, Secretary
Washington State Board of Accountancy

cc: Richard C. Sweeney, Executive Director, Washington State Board of Accountancy
Rich Jones, CPA, CGMA – President & CEO, Washington Society of CPAs
Laureen Kai, Executive Director, Hawaii Board of Public Accountancy

Please be advised: The Washington State Board of Accountancy is required to comply with the Public Records Act, chapter 42.56 RCW. This act establishes a strong state mandate in favor of disclosure of public records. As such, the information you submit to the board, including personal information, may ultimately be subject to disclosure as a public record.

Quality Assurance Review Results

Year	Peer Review					Pass	Pass W/ Deficiencies	Fail	Peer Review Extension Request	Sub Total	Limited		Total Participation
	Peer Review	Pass	Pass W/ Deficiencies	Fail	Peer Review Extension Request						Sub Total	Scope Exemption	
2013	36	7	5	0	48	91	139						
2014	6	2	0	6	14	8	22						
2015	0	0	0	0	0	0	0						
2016	0	0	0	0	0	0	0						
2017	0	0	0	0	0	0	0						

Request Review Committee Report July 2014

Karen Saunders, CPA, Chair

During the second quarter 2014, the Executive Director and a Consulting Board Member from the Request Review Committee took the following action:

Firm Names: *Approved:*

TJS DEEMER DANA LLP
JOHNSON GLAZE & CO. P.C
COLUMBIA GORGE FINANCIAL SERVICES
SCS GLOBAL PROFESSIONALS, LLP
HASTINGS TAX SERVICES
CALIBRE CPA GROUP
JULNES CONSULTING
KAREN LEE & ASSOCIATES, PS
ROGERS, CLEM & COMPANY
360 ADVANCED, P.A
EDISON PERRY & COMPANY, PC
PIERCY BOWLER TAYLOR & KERN CERTIFIED
PUBLIC ACCOUNTANTS & BUSINESS
ADVISORS APC
BEDROCK CPA GROUP, LLC

Professional/Educational Organization – Recognition Requests – During the 2nd quarter in 2014, the Board did not receive any requests for recognition of an educational organization for purposes of obtaining list requests.

Domestic or International Education Credential Evaluation Services – Applications – During the 2nd quarter in 2014, the Board did not receive any requests for recognition of a domestic or international education credential evaluation services.

Late Fee Waiver Requests – Late Fee Waiver Requests were received between 05/01/2014 and 06/30/2014.

A Total of 2 Requests were Received

- 1 request for an Individual CPA License
 - Request Approved
- 1 request for a CPA Firm License
 - Request Approved

Discussion on CPAs and the Marijuana (Cannabis) Industry

The Executive Director of the Washington State Board of Accountancy has the delegated authority and related responsibility, among other things, to

- Determine whether an investigation of the ethical behavior or technical competency and performance of a CPA is warranted;
- Direct warranted investigations to ensure that a respondent's constitutional rights are respected during the investigative process, including protection from unreasonable searches and seizures and due process;

Accordingly the Board directed the Executive Director to develop a position statement related to Washington Initiative 502, the conflict with Federal law and regulations, for discussion the July 24, 2014 Board Meeting.

In the process of gathering information, the Executive Director evaluated documents and public statements created by the American Institute of CPAs, the Washington State Bar, the Washington State Supreme Court, federal public communications specific to the marijuana (cannabis) industry, the August 29, 2013 U.S. Department of Justice guidance to federal prosecutors concerning marijuana enforcement under the Controlled Substances Act (CSA), and the Washington State Rules for I-502. The Executive Director also discussed the issue with the Executive Director of the Colorado Board.

In the same context, the Washington State Supreme Court recently issued the following guidance for lawyers:

RPC 1.2 Scope of Representation and Allocation of Authority between the Client and Lawyer

Special Circumstances Presented by Washington Initiative 502

[18] At least until there is a change in federal enforcement policy, a lawyer may counsel a client regarding the validity, scope, and meaning of Washington Initiative 502 and may assist a client in conduct that the lawyer reasonably believes is permitted by this initiative and the statutes, regulations, orders and other state and local provisions implementing them.

Discussion on CPAs and the Marijuana (Cannabis) Industry

Based upon the forgoing information, the Executive Director recommends the following:

Pending changes in federal marijuana enforcement policy, the Executive Director believes that offering or performing professional services for those commercial business enterprises constituting what is herein referred to as the “Marijuana Industry” is not specifically prohibited by the Public Accountancy Act or Board Rules.

However, the Executive Director encourages CPAs and their firms desiring to provide professional services in the “Marijuana Industry” to diligently address the potential risks and uncertainties associated with providing initial and continuing services in this new and developing industry. The uncertainties of federal enforcement policy v. enforceable federal law further complicate a service provider’s initial and continuing engagement risk analyses.

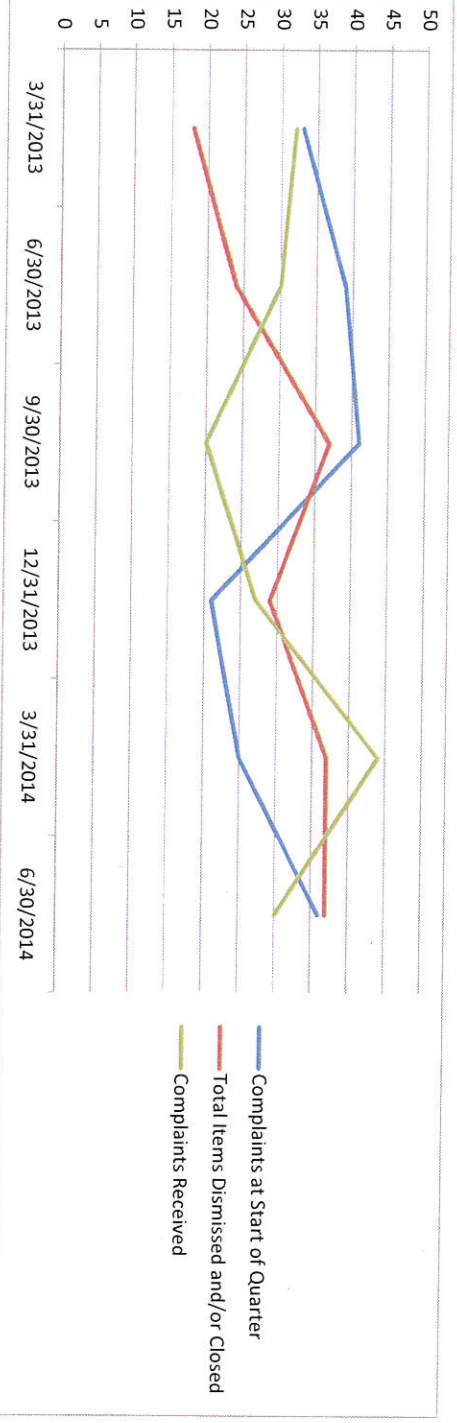
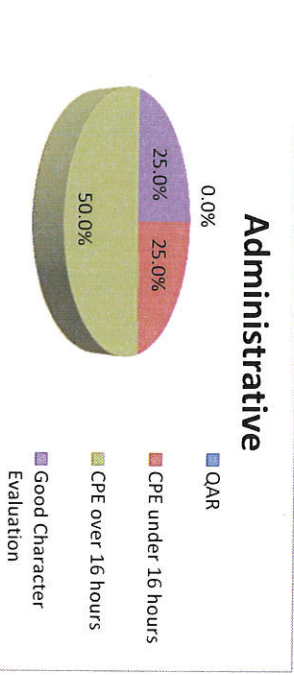
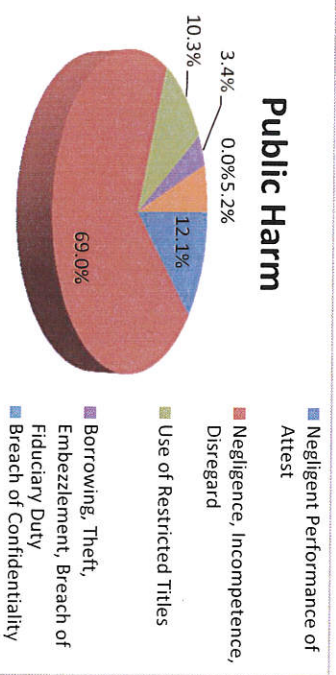
ENFORCEMENT

Broad Overview

Initial caseload, at start of quarter			69
+ Complaints Received		30	
- (Complaints Dismissed)	-28		
- (Cases Dismissed)	-6		
- (Cases Closed)	-3	-37	
= Caseload, Net Change			-7
= Total Caseload, End of Period			62

Caseload Breakdown, at end of quarter

Public Harm		
Negligent Performance of Attest	7	
Negligence, Incompetence, Disregard	40	
Use of Restricted Titles	6	
Borrowing, Theft, Embezzlement, Breach of Fiduciary Duty	2	
Breach of Confidentiality	0	
Records Retention Causing Harm	3	58
Administrative		
QAR	0	
CPE under 16 hours	1	
CPE over 16 hours	2	
Good Character Evaluation	1	4
Total Items		62



Washington State Board of Accountancy

Caseload Status Report	9/30/2013	12/31/2013	3/31/2014	6/30/2014
Complaint Summary				
Complaints at Start of Quarter	41	21	25	36
Complaints Received	20	27	44	30
Complaints Dismissed	(25)	(20)	(14)	(28)
Moved to Developing Cases	(7)	(3)	(19)	(3)
Total Complaints Under Evaluation	21	25	36	35

Status of Developing and Developed Cases				
Working Cases	14	14	18	5
Cases Awaiting External Action	4	2	1	11
Developed Cases Moved Forward	17	13	14	11
Total Developing and Developed Cases	31	29	33	27

Total Complaints and Cases Under Evaluation/Development	52	54	69	62
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Aging of All Developing and Developed Cases				
> 4 Years	3	3	3	3
> 3 Years, <= 4 Years	1	0	0	2
> 2 years, <= 3 years	5	6	6	6
> 1 year, <= 2 years	6	6	8	4
< 1 year, > 180 days	11	11	2	4
<= 180 days	9	3	14	8
Total Developing and Developed Cases	35	29	33	27

Classification of All Developing and Developed Cases				
Public Harm				
Negligent Performance of Attest	2	2	4	3
Negligence, Incompetence, Disregard	24	18	16	15
Use of Restricted Titles	1	2	2	2
Borrowing, Theft, Embezzlement, Breach of Fiduciary Duty	3	2	3	2
Breach of Confidentiality	0	0	0	0
Records Retention Causing Harm	4	4	2	1
Subtotal	34	28	27	23
Administrative				
QAR	0	0	0	0
CPE under 16 hours	0	0	1	1
CPE over 16 hours	0	0	5	2
Good Character Evaluation	1	1	1	1
Subtotal	1	1	7	4
Total	35	29	34	27

Cases Closed - Disposition By				
Board Order/Agreed Order				
Revocation -- Public Harm	1	1	0	0
Suspension -- Public Harm	0	0	0	0
Suspension -- Other	0	0	0	0
Practice Restriction -- Public Harm	0	0	0	0
SAO -- Fine/costs/other sanctions -- Public Harm	3	3	5	3
SAO -- Fine/costs/other sanctions	1	1	0	0
Subtotal	5	5	5	3
Administrative Sanctions	0	1	1	0
Reinstatements	0	0	0	0
Dismissals -- Public Harm	7	3	8	3
Dismissals	0	0	4	3
Subtotal	7	4	13	6
Total Cases Closed	12	9	18	9
Total Complaints Dismissed	25	20	19	28
Total Items Dismissed and/or Closed	37	29	37	37

Investigation Statistics

Historical data: January 2003 through June 30, 2014

Year Opened	Number of credentialed persons (at year end)		Number of Cases		% open / Licensees
	Licensees	Certificate Holders	Opened	Closed	
2003	9,418	4,948	83	62	0.88%
2004	10,382	3,107	144	92	1.39%
2005	10,909	3,055	83	85	0.76%
2006	11,217	2,474	131	64 *	1.17%
2007	11,552	2,114	143	176 *	1.24%
2008	12,282	2,102	90	99 **	0.73%
2009	12,654	1,848	130	76 **	1.03%
2010	13,104	1,555	99	182 **	0.76%
2011	13,874	1,573	82	133 **	0.59%
2012	14,403	1,343	64	75	0.44%
2013	15,150	1,265	42	41	0.28%
2014 (to date)	15,249	1,267	23	27	0.15%
Total	15,249	1,265	1,091	1,085	7.15%
Average	12,516	2,147	99	99	0.79%

As of June 30, 2014

Active Cases

5 (open cases actively worked by Enforcement)

Pending Cases

22 (cases awaiting action/otherwise moved forward)

Total Open Cases

27

* Clean up backlog (new Executive Director)

** Interrupted by significant public records requests and litigation